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ESTABLISHED 1887

U.S. May Deploy Part of SDI by '93, Weinberger Says

Compiled by Our Staff From Dispatches
LONDON — The United States may be able to deploy the first elements of its Strategic Defense Initiative within six years, Secretary of Defense Caspar W. Weinberger said Sunday.
Mr. Weinberger also said the United States would seek to renegotiate the 1972 anti-ballistic missile treaty with the Soviet Union when Washington was ready to deploy elements of the SDI system, popularly known as "star wars."
His statements in a television interview with the British Broadcasting Corp. came soon after sources in Washington told The New York Times that the administration was likely to defer a decision on adopting an interpretation of the ABM treaty that would allow extensive SDI testing.
Secretary of State George P. Shultz, while reporting "very considerable progress" in developing SDI systems, said Sunday in a Washington television interview that there was no "early deployment decision in the offing."
Mr. Shultz said that, as far as early deployment was concerned, "it's not possible to make any such decision this year or next year."
SDI research has yielded considerable progress, Mr. Shultz said, even under the "restrictive" interpretation of the ABM treaty.
"But it is clear enough now, given the progress that has been made, that you'd be able to pursue the program much more effectively, and perhaps only, if a different pattern of testing is permitted," he said.
Mr. Weinberger said he did not know when the first phase of SDI could be deployed, but he estimated "somewhere in the 1993 to 1994 range."
"Everybody agrees that when we're ready to deploy we would have to take advantage of the pro-

visions of the ABM treaty, which are in the treaty itself, which call for revisions or changes or additional permissions not now in the treaty," he said.
Article 14 of the treaty states that "each party may propose amendments to this treaty."
On the same television program as Mr. Shultz, however, the Senate Armed Services chairman, Sam Nunn, Democrat of Georgia, said an interpretation by the administration of the ABM treaty to allow advanced testing of SDI "would be a very bad mistake."
Mr. Nunn urged consultation with the U.S. allies and Congress.
(AFP, UPI, IHT)

ABM Decision 'On Hold'
Michael R. Gordon of The New York Times reported earlier from Washington.
The Reagan administration, under intense pressure from Congress and the Western allies, is likely to put off a decision on whether to adopt a view of the ABM treaty that would allow extensive testing of some types of space-based defense systems, administration officials said Sunday.
"Everything is on hold until we get more information," one official said. He said the administration needed to evaluate whether an adequate testing program for space-based systems could be conducted under the existing, strict interpretation of the treaty or whether a broader interpretation was needed.
At a meeting Tuesday at the White House, Mr. Reagan expressed interest in adopting the broad interpretation without making an announcement about the change, officials said.
Reports about that meeting prompted a strong response from members of Congress and others.
Mr. Nunn told Mr. Reagan in a letter Friday that such a move, without consultation with Congress, would lead to a "constitutional confrontation."
Diplomats from Western nations have also asked the administration not to make such a decision.
Mr. Shultz met Friday with Mr. Reagan and reportedly argued that a broad interpretation could trigger a backlash that would hurt SDI.
Some conservatives have pressed Mr. Reagan to formally adopt such an interpretation.
A detailed account of the White House meeting was published Friday.

Article V
1. Each party undertakes not to develop, test or deploy ABM systems or components which are sea-based, air-based, space-based, or mobile land-based.
2. Each party undertakes not to develop, test or deploy ABM launchers for launching more than one ABM interceptor missile of a low time-of-flight launcher, not to modify deployed launchers to provide them with such a capability, not to develop, test or deploy automatic or semi-automatic or other similar systems for rapid reload of ABM launchers.

Key part of the ABM treaty.

See SDI, Page 3



Manila newspapers with headlines about the end of the cease-fire.

Cease-Fire Expires in Philippines; Communists Reject New Peace Talks

By Michael Richardson
International Herald Tribune
MANILA — The 60-day cease-fire between Communist guerrillas and government troops ended Sunday, but there was no immediate resumption of violence.
In a statement, the rebels rejected peace talks, but government and military officials said they believed the Communist insurgent movement was divided over whether to resume negotiations with the administration of President Corason C. Aquino.
Tosifio Guingona Jr., the government's chief negotiator, said that if the rebels "spurn further negotiations, they spurn the desire for the people and many of their own members to pursue peace."
He said the government planned to approach the Communist rank and file to "try to work out new cease-fires on a regional basis. National or regional peace talks could be held even without a truce, he said.
[A Philippine military spokesman said regional commanders had been told to be "extra careful" after the expiration of the truce at midday, Reuters reported. Troops were on alert, the spokesman said, but

there were no orders to attack the rebels.
[The government unveiled a program to distribute 9.7 million hectares (24 million acres) of land to millions of farmers. The National Democratic Front, the political arm of the New People's Army, which announced Saturday that the rebels would not extend the cease-fire or open new negotiations, had claimed a government lack of faith in pursuing land reform as a reason.
Colonel Honesto Isla, a military spokesman, said intelligence

from within the Communist Party's central military commission indicated that there was a split between those who wanted to pursue armed struggle and those advocating negotiations.
He said it was believed that the split was "very serious and could lead to factional fighting."
Other officers, interviewed in Manila and at Davao, in the southern Philippines, said the idea of offering regional cease-fires could widen divisions in the rebel movement.
See MANILA, Page 2

Hostage Makes Appeal To Avert Execution

Israel Rejects Ultimatum to Release Arabs

Compiled by Our Staff From Dispatches
BEIRUT — A U.S. hostage said in a videotaped message Sunday by his kidnappers that he and three other captives would be killed Monday if Israel failed to release 400 Arab prisoners.
Shimon Peres, the Israeli foreign minister, rejected the ultimatum.
"Israel cannot and will not act according to ultimatums," he said in Jerusalem. "If someone has a suggestion, please approach Israel in an orderly way." His statement appeared to allow for the possibility of diplomatic initiatives about the Arab prisoners.
Islamic Jihad for the Liberation of Palestine has warned that it will kill the four hostages, educators at Beirut University College who were abducted on Jan. 24, unless the Arabs are released.
Mr. Peres said that a proposal on Saturday by Nahid Berri, the leader of the Shiite Moslem Amal militia, to exchange a captured Israeli Air Force navigator for the 400 Arab prisoners was not made through proper channels.
"There are things that should not be conducted publicly or through the media," Mr. Peres said.
Israel has indicated previously that it would not exchange jailed guerrillas for hostages in Lebanon.
The American hostage, Alann Steen, 47, made his appeal in a videotape delivered to a Western news agency in Beirut on Sunday.
"If our lives are important to America, it must order Israel to



Alann Steen, an American hostage, in videotaped message.

U.S. Dealt With Radicals In Iran, Israeli Told Bush

By Bob Woodward and David Hoffman
Washington Post Service
WASHINGTON — An Israeli official involved in the sale of U.S. arms to Iran told Vice President George Bush last summer that "we are dealing with the most radical elements" in Iran because "we've learned they can deliver and the moderates can't," according to a

memorandum written by Mr. Bush's chief of staff.
The description of the Iranian effort provided by the Israeli, Amiram Nir, contradicts the assertion by President Ronald Reagan that he was dealing with Iranian moderates in sending the weapons to Tehran. Mr. Nir was an aide to Shimon Peres when Mr. Peres was the prime minister.
The memo quotes Mr. Nir as saying that Iranian officials were trying "to squeeze as much as possible" out of Israel and the United States "as long as they have assets."
The allusion presumably is to the American hostages believed to be held in Lebanon by pro-Iranian extremist groups. This interpretation would undermine Mr. Reagan's repeated assertions that he was not engaged in trading for hostages. Two Americans have been released since the sales were made.
Mr. Nir's only known response to Mr. Bush's comments was to direct that a copy of the memorandum describing the meeting with Mr. Nir be sent to Lieutenant Colonel Oliver L. North, the National Security Council aide who ran the secret Iran operation.
What Mr. Nir told Mr. Bush, according to the memo, also undermines the Israeli government's repeated claims that it played only a minor and passive role in the dealings with Iran.
Mr. Nir is quoted as saying of the Israelis: "We activated the channel; we gave a front to the operation, provided a physical base, provided aircraft."
A source said Saturday that Mr. Bush recently told the special review board headed by John G. Tower, a former Republican senator from Texas, that one of his concerns after the Nir meeting was

Disarray at the White House

As Control Wanes, Reagan Has Trouble Keeping Staff

By Steven V. Roberts
New York Times Service
WASHINGTON — With Ronald Reagan in the final two years of his presidency, his White House has started to lose the distinctive aura of confidence and control that contributed heavily to the many achievements of his first six years in office, according to White House insiders and Reagan supporters outside the government.
This sharp shift in the White

LATE NEWS

Canadian Freed By Iranians
TEHRAN (AFP) — Philip Eng, a Canadian engineer arrested here in December, was released Sunday, Western diplomats announced.
Mr. Eng, employed by the Schlumberger oil exploration group, was arrested when he arrived in Iran.

INSIDE TODAY

THIRD MARKET

British investors have a Third Market, for small companies. Personal Investing, Pages 9-12.

GENERAL NEWS

Integration in the U.S. rose in the 1970s as more blacks moved to the suburbs. Page 3.

BUSINESS/FINANCE

British systems set to offer financial support for new Airbus aircraft. Page 13.

Europe Again Worries U.S. Might Cut Troops

By Joseph Fitzbert
International Herald Tribune
PARIS — The possibility that the United States will remove some of its troops from Europe, a possibility that has periodically roiled the Western alliance, is again leading to concern European leaders, officials and strategists say.
Manfred Wörner, the defense minister of West Germany, acknowledged at a defense symposium in Munich a week ago that he was "preoccupied with the risk of a partial U.S. drawdown" of troops from NATO.
Mr. Wörner's concern reflected developments in the United States, where some strategists are calling for troop cuts at a time of increasingly raucous debates over defense spending, protectionism and trade balances.
European officials have privately expressed concern that the new Democratic-controlled Congress, alarmed by the U.S. budget deficit, might seize on troop cuts in Europe as a means of making quick trims in defense spending at a time when the Reagan administration, weakened by the Iranian arms sales affair, could not block such a move.
"We are potentially in a situation where a bid to pull troops would be harder to defend than ever before," said John C. Cartwright, the defense spokesman for the alliance of Liberals and Social Democrats in Britain.
The possibility of U.S. troop cuts has arisen and receded so often that the topic has come to be widely regarded as a routine refrain in alliance discussions. So it was a striking coincidence that two prestigious European newspapers, on the same day last week, reported a shift of thinking in Europe.
The Frankfurter Allgemeine Zeitung in West Germany and Le Monde in France said that West German officials no longer rule out possible U.S. cutbacks—for example, a phased withdrawal of 100,000 troops along lines advocated by Zbigniew Brzezinski, the national security adviser to President Jimmy Carter.
Mr. Brzezinski, in congressional hearings last month, called for this redeployment so U.S. troops could be more quickly sent to Central



Manfred Wörner

Zaire in the AIDS Fight: Silence Ends, Tests Start

By James Brooke
New York Times Service
KINSHASA, Zaire — At the AIDS project in Mama Yemo Hospital here, Zairian technicians hunch over computers, tracking the health histories of thousands of local victims of the disease.
In homes across Kinshasa, television screens lighted up recently with graphic images from a public health special produced by the National Committee to Combat AIDS.
In pioneering research here, about 12 Zairian and European carriers of the AIDS virus are undergoing the first human tests of a potential AIDS vaccine.
At the Ministry of Public Health, officials speak openly of a project to use American and West German technical skills to screen Kinshasa's blood banks for blood contaminated by the AIDS virus.
Zaire, long one of Africa's most secretive countries about acquired immune deficiency syndrome, is beginning to treat the disease like any other public health menace.
According to surveys, 5 percent to 8 percent of Kinshasa's adult population, or at least 100,000 people, are infected with the AIDS virus. More than 25 percent of the city's prostitutes have the virus. At Mama Yemo, about 15 new AIDS cases are detected each day.
"We are facing a grave and serious problem, and we should look at it in a cold and serious way," said Dr. Ngandu Kabeya, Zaire's public health commissioner.
Mr. Ngandu underlined Zaire's new attitude toward AIDS when he readily allowed a correspondent to make a rare visit to the AIDS research project at Mama Yemo, considered the largest such project in Africa.
Called Project SIDA, after the French acronym for AIDS, the project employs about 15 doctors — a mix of Zairians, Americans and Europeans — and 15 Zairian technicians. The research, which started in 1984, is largely financed by U.S. sources, the national Centers for Disease Control and the National Institutes of Health.
AIDS is an incurable disease that cripples the immune system, leaving the victim susceptible to some infections and cancers. It is caused by a virus that spreads through sexual intercourse or exchange of blood, as in shared hypodermic needles.
In the United States, most of the

"We are facing a grave and serious problem, and we should look at it in a cold and serious way."
— Dr. Ngandu Kabeya, Zaire's public health commissioner.

See AIDS, Page 2

Chinese Arrive in Moscow To Reopen Border Talks

The Associated Press
MOSCOW — A Chinese delegation arrived Sunday in the Soviet Union for the first talks in nine years on a border dispute between the two countries.
The Tass news agency said the delegation, headed by Qian Qichen, a deputy foreign minister, was met by the head of the Soviet negotiating team, Igor Rogachev, also a deputy foreign minister.
The talks, to begin Monday, center on waterways and islands along the Ussuri and Amur rivers dividing northeastern China and Soviet Siberia.
The talks will be watched as a gauge of success of recent Soviet efforts to improve relations with China.
Mikhail S. Gorbachev set the stage for the resumption of talks in a speech in July in Vladivostok. He called for an end to the antagonism between the Soviet Union and China and indicated the Kremlin was ready to discuss its position on the border question.
China said the Soviet Union had disrupted the border since the early 1960s, with fighting along the Ussuri and Amur rivers in 1969.
Negotiations on the border opened in 1969 and continued with several breaks until 1978, but without apparent progress.

AMERICAN TOPICS

An Operating Manual For Congressmen

A spiral-bound handbook of advice for new congressmen tells how to attain high visibility at high risk...

driven by a man of about the age to have two offspring in college: 'Columbia + Harvard = \$33,100.'

Notes About People

After Elliot Richardson's Washington law firm accepted the Marxist government of Angola as a client, rightists staged a protest...

Larry Speakes, who has left the White House for the Wall Street investment firm of Merrill Lynch...

Short Takes

A man in Hastings, Michigan, was admitted to a hospital because of the death of two crash victims...



Larry Speakes

outliving its usefulness because of the fact that it is boiled down to an East Room extravaganza...

Abbie Hoffman, 50, a 1960s radical still going strong, reflected: 'If I wanted to convince people that I could faithfully heal them, I'd have a jet plane by now.'

John Mueller, author of the 1985 book on Fidel Castro's techniques, 'Astaire Dancing: The Musical Film,' recalled in a Washington Post interview...

—ARTHUR HIGBEE

Integration Rose in '70s as Blacks Moved to Suburbs, Study Finds

By Martha M. Hamilton Washington Post Service

WASHINGTON — Neighborhoods across the nation became more integrated during the 1970s, reversing an increase in racial separation the decade before...

blacks rather than the movement of middle-class whites to renewed inner-city neighborhoods.

The proportion of whites living in all-white neighborhoods — those with populations that were less than 1 percent black — fell to 37.2 percent in 1980...

The growing tendency towards more segregated living patterns, which has characterized most of the postwar period, has been reversed.

largest metropolitan areas continued to decline throughout the 1970s. U.S. Plays Down Attacks Philip Shenon of The New York Times reported from Washington...

publicized racial attacks in suburban New York City and Georgia.

In a speech that infuriated civil rights leaders, the official, Assistant Attorney General William Bradford Reynolds, said the recent attacks in Howard Beach, New York...

A Justice Department spokesman said Mr. Reynolds based his assertion on informal surveys of federal prosecutors and on the number of civil rights complaints filed with the Justice Department.

The Justice Department's Community Relations Service has found that the number of racial incidents reported to the government jumped to 276 last year from 99 in 1980.

U.S. Is Still Dependent On Pretoria for Minerals

By David K. Shieler New York Times Service

WASHINGTON — The State Department has told Congress that the U.S. economy and the military remain dependent on South Africa for 10 minerals and other raw materials that were not included in an import ban enacted in October.

Warning From Pretoria

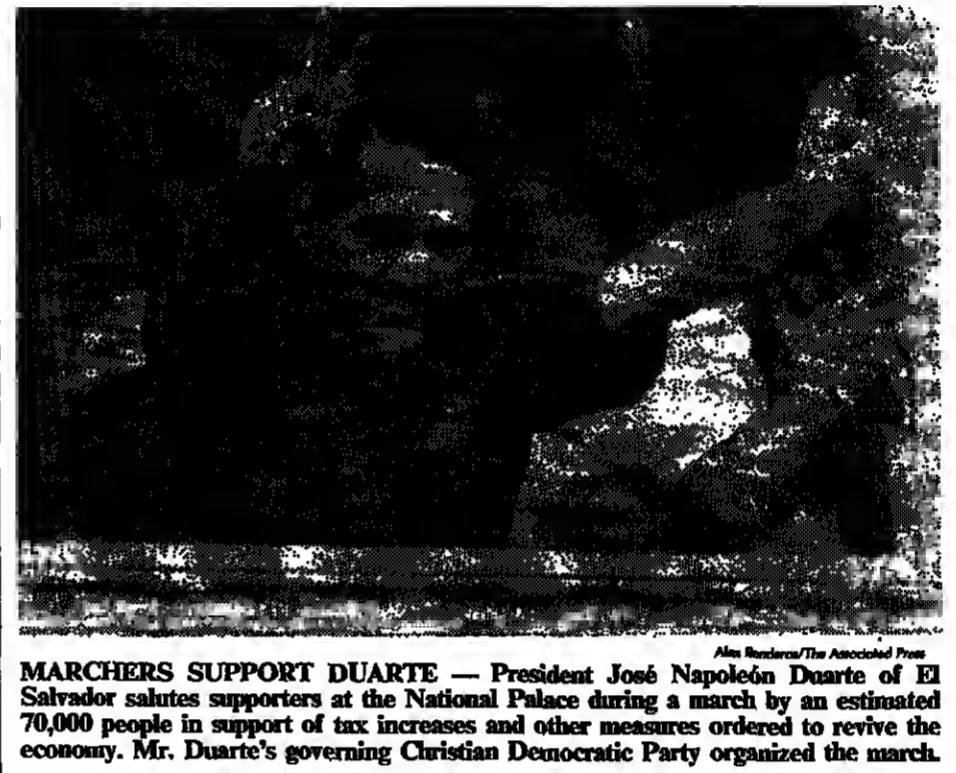
The Botswana government said it had received threats from South Africa over the alleged presence of two members of the African National Congress at a conference in Gaborone...

used in rocket and submarine construction, are shipped through South Africa.

At present, the report said, 'Zimbabwe is the only source of this grade of asbestos in the world,' and 'the majority of Zimbabwe asbestos is exported via the South African ports and transportation system.'

Other crucial items are antacid, antimony, chrysotile asbestos, industrial diamonds, rutile, and titanium-bearing slag and vanadium.

Chromium is essential in producing superalloys with corrosion-resistant metals as nickel, cobalt, aluminum and titanium.



MARCHERS SUPPORT DUARTE — President José Napoleón Duarte of El Salvador salutes supporters at the National Palace during a march by an estimated 70,000 people in support of tax increases and other measures ordered to revive the economy...

U.S. to Supply More Stinger Missiles To Guerrillas Fighting in Afghanistan

By David B. Ottaway Washington Post Service

WASHINGTON — The Reagan administration has decided to increase the number of Stinger aircraft missiles provided to the Afghan rebels this year to escalate pressure on the Soviet Union to withdraw its troops from Afghanistan...

The administration sent about 150 Stinger launchers last year to the Afghan rebels, according to congressional and other sources.

REAGAN: White House in Decline

(Continued from Page 1) successors have been named for Mr. Danicic, Mr. Buchanan, or Mr. Kingon. Many of those appointed recently, such as Mr. Fitzwater and Robert M. Gates...

But a Reagan confidant reports that the president refused again to dismiss his chief aide, and Mr. Reagan still refuses to resign.



—A former White House staff member

'One of the things that attracted us to Reagan was that he restored our sense of pride, of confidence, of viability. Every single bit of that is in the process of being lost.'

BUSH: Memo Contradicts Reagan

(Continued from Page 1) about the depth of Israeli involvement in the Iran operation. Mr. Nir met with Mr. Bush on July 29 at the King David Hotel in Jerusalem...

Sir Rudolf Bing, Bride Missing

The Associated Press NEW YORK — The former manager of the Metropolitan Opera, Sir Rudolf Bing, and Carolyn Douglass, 47, who were married Jan. 9 on his 85th birthday...

TROOPS: Possibility of a U.S. Withdrawal Has Europe Worried Again

(Continued from Page 1) likely to involve renewed attempts to prove that Europe shoulders a fair share of the military burden in the alliance.

At the Munich symposium, Richard R. Burt, the U.S. ambassador to West Germany, urged a cut in the agricultural subsidies that help European farmers compete with U.S. grain exporters...

Acknowledging unease over the issue in West Germany, a spokesman for Lothar Ruhl, the deputy defense minister, said, 'Any troop departure would give us problems in maintaining forward defense.'

Mr. Fullinwider said the vice president as simply a listener at the meeting, making no commitments and giving no direction to Mr. Nir.

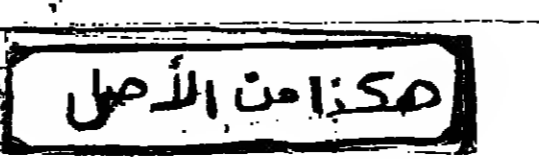
SDI: Deployment May Start by 1993, Weinberger Says

(Continued from Page 1) broad interpretation would allow actual deployment of space-based defenses.

Mr. Weinberger suggested at the White House meeting Tuesday that the broad interpretation was indeed required for this purpose.

Some government experts, however, said further review was needed. They said the planned expenditures could be carried out in a way that is consistent with the traditional view of the ABM treaty.

The broad interpretation holds, in effect, that there is a large loophole in the ABM treaty that allows extensive testing and development of exotic defense systems such as lasers and particle-beam weapons.



INTERNATIONAL Herald Tribune

For Iraq, Not for Hussein

The fog of battle still swirls over the marshes around Basra, Iraq, loaded with weapons but loath to commit infantry...

sailing west toward the Gulf, but its 30-plane strike force could do little that the Iraqi air force cannot already do...

Privatized Diplomacy

Day by day, the news exposes a deep and dangerous dimension to the Iran-contra crisis: privatized diplomacy.

the contra, although it is still unclear who got the money. The highly sophisticated AWACS surveillance planes are not routine weapons...

Other Comment

Strains Across the Atlantic The Reagan administration is seriously underestimating the damage done to its credibility in Europe by the Iranian arms affair.

anti-Americanism which has already struck root in several European countries. There are plenty of Europeans who feel that their governments have followed the zigzags of American foreign policy during the Reagan years...

OPINION

Westerners at the Court of Czar Mikhail

By Kurt M. Campbell

CAMBRIDGE, Massachusetts — What is Mikhail Gorbachev up to, and why is he inviting all those interesting people to Moscow? Much like Czar Peter the Great, he is summoning Western intellectuals to his Kremlin court.

There is scant precedent in the Communist world for this sort of cultivation of the Western elites. What accounts for the opening? Before the bloom went off the flower of the Cuban revolution, Fidel Castro entertained poets and revolutionary pirates from throughout Latin America.

visitors will give legitimacy to a historically insecure Soviet leadership. Indeed, the willingness to grant important foreign visitors an audience with Mr. Gorbachev appears to have at least reinforced Western impressions of Mr. Gorbachev as a forceful and dynamic leader.



The writer is a fellow at the Center for Science and International Affairs at the Kennedy School of Government, Harvard University. He contributed this comment to The New York Times.

Terror Wins When the Target States Are Divided

By John K. Cooley

DAMASCUS — Viewed in the wisdom of hindsight, the latest international hostage crisis arises from tragic errors of judgment by Western governments — and perhaps, too, by Terry White, the erstwhile Anglican negotiator.

Israeli invasion of Lebanon in 1982. Mr. Dodge was freed a year later after President Assad's very energetic personal intervention.

probably France, make demands: that Israel release 400 prisoners in return for the lives of three American and one Indian teacher taken in Beirut, and that West Germany not give the United States the suspected hijacker of a TWA flight and suspected murderer of one of its passengers.

A Show of Strength or of Weakness?

By William Pfaff

PARIS — The American show of strength in the eastern Mediterranean looks very much like a show of weakness. What were those dozen ships, including two nuclear aircraft carriers, and two marine amphibious groups, supposed to do? They could have obliterated Lebanon. They still could. But what were they supposed to do that would be useful?

the firepower of an infantry battalion. It was extremely noisy, blew a lot of clay about, knocked down trees; and so what? Afterward we had to go about stamping out the grass fires, while the visiting VIPs went on to drinks at the Officers' Club.

Soon it may be France's turn again. On Feb. 23, a special Paris court is to begin the trial of Georges Ibrahim Abdallah, the Lebanese prosecuted in the murder of an Israeli diplomat and two American ones, after a bloody campaign of terror in France last year to secure his release.

Victory Seems Near For Iran

By Jim Hoagland

PARIS — Greed, concern for hostages and hunger for geopolitical glory brought together the Americans, Israelis and Iranian elites who gave us Iraq. What about the other side? What was in the minds of those in Tehran who lured the Great Satan and assistant Satans into a dialogue that was not at an end when it was exposed? More than weapons to use against Iraq, it turns out, although these were important.

They concluded from these contacts that the United States would accept such a result and not intervene to try to change it, an authoritative source who is in touch with elements of the Iranian leadership informs me.

Throughout the emirates of the Gulf and in Saudi Arabia, many are beginning to ask seriously the question they had hoped would go away: What happens if Iraq loses the war? An Arab friend of long standing recounts that as the Iranian offensive has intensified, banks in Bahrain have been shipping their original account records to London for safekeeping and working from copies.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: For a Free Ireland BELFAST — Winston Churchill outlined a Home Rule Bill to a gathering of 6,000 Liberals and Nationalists at Celtic Park [on Feb. 8]. It would create an Irish Parliament that would have control over purely State matters and powers of taxation for State purposes so safeguarded by Imperial control that no unjust levies can be placed on Protestant Ulster. He pledged the faith of the Liberal Government that the Bill would guarantee absolute religious freedom, declaring that any infringement of that pledge by the Parliament in Dublin would be remedied by the Imperial Parliament at Westminster. Then he announced that the time was at hand for England to grant freedom, the boon long people. He ended with an appeal to Protestant Ulster to forget the hatreds of the past and to fight for the dignity and honor of Ireland.

1937: The Fall of Malaga PARIS — General Francisco Franco's forces swept into Malaga [on Feb. 8]. The Mediterranean port was captured by four advancing columns in the course of the moving General Queipo de Llana, the insurgent leader in southern Spain, entered the city at noon. After the collapse of the defense, the Reds fled in disorder toward Almeria, while Nationalist warships continued to shell the coastline east of Malaga. The fall of Malaga is rated as a decisive event in the civil war by Spanish Nationalist spokesmen, on a par with the capture of Irún and Toledo. It will open up possibilities of an advance along the eastern coast toward Almeria, Alicante and Valencia. According to the official communiqué issued from Seville, the populace of Malaga hailed the "liberating army with indecipherable enthusiasm and gratitude for their delivery from a Marxist hell."

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1938-1982 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairmen

LETTER If Hot, Then Chilling "A Writer's Outrageously Good Fortune" (Feb. 6) was depressing. One ruled out spoof; one takes for granted careful reporting and faithful editing. So what we got was all there was to get. Leslie Dixon, a Hollywood hack whose success makes her a cultural role model of sorts, is a speculatively added manager of the English language. That she's loose in the land makes it easy to stay indoors. That she's "hot" is chilling. ARNOLD HERBIEG, Paris.

France's Winter of Discontent

IN THE NEWS

Dec. 6: Protester Dies
A French student, Malik Ousseine, dies after being beaten by police amid demonstrations against a bill to raise university tuition fees and stiffen entrance requirements. The bill is withdrawn. **SOCIETY, Page 6**

Dec. 18: Rail, Power Strikes
A wave of strikes in the public sector begins, disrupting power supplies and transportation nationwide for a month. Amid record low temperatures, rail workers return to work. Agreements are signed between the electricity authority and all unions except the Communist-led General Confederation of Labor. The government acquiesces to striking engineers of the national railroad by withdrawing a new promotion scale that favored merit over seniority. **UNIONS, Page 7**

Jan. 30: Chirac on Economy
Despite the wave of strikes, Prime Minister Jacques Chirac says he is determined to pursue plans to modernize the economy, fight unemployment and give a "second wind to social dialogue." Unemployment hit a record level at the end of 1986 with 2.69 million people out of work, 5.5 percent more than at the end of 1985. The 2-percent growth in gross domestic product was below official forecasts. **ECONOMY, Page 7**

Jan. 31: Rush to Buy Stocks
In the biggest share offering on the Paris Bourse, nearly three million individual investors purchase shares of Cie. Financière de Paribas, the banking group nationalized in 1982 under the government's privatization program involving 65 companies. The overwhelming demand for the offering forced the government to back down from a pledge to meet in full all bids for up to 10 shares. A total of 14.7 million shares at 405 francs each were set aside for small investors. The offering to foreign investors was cut to meet domestic demand. **STOCKS, Page 8**



Prime Minister Jacques Chirac.

Mitterrand and Chirac: How Voters View Them

Since the election that brought Jacques Chirac to power as prime minister nearly 11 months ago, President François Mitterrand has maintained a steady high rating in opinion polls. In a SOFRES poll conducted one month before the elections, Mr. Mitterrand received a confidence rating of 46 percent. In the weeks following the vote, his score rose to 56 percent, compared with 57 percent for Mr. Chirac.

The president's popularity remained at about that level, while the prime minister's rating fell to 47 percent in a July poll. In September, amid a wave of terrorist attacks, Mr. Chirac's rating rose to 58 percent; the president's to 61. In late December, amid a nationwide rail and utility strike, 46 percent judged Mr. Chirac capable of resolving France's problems, while Mr. Mitterrand's popularity rose to 58 percent. In the latest poll published last week, Mr. Chirac's rating fell to 44 percent and Mr. Mitterrand's to 56 percent.

As the electorate begins to focus on the race for 1988, the question remains: Will Mr. Mitterrand run? An analysis on Page 6.

Chirac's Image Is His New Challenge

Consequences of Unrest

A series of crises has dogged the center-right government.

By Julian Nundy

PARIS — Almost a year after regaining power for the right, Prime Minister Jacques Chirac now has a serious image problem that threatens his long-term political future.

It is one that he will have to resolve quickly if he is to become the right's main candidate in presidential elections next year.

Mr. Chirac became head of the center-right coalition government after elections last March 16 with one of the most difficult mandates of any prime minister since Charles de Gaulle took office as the Fifth Republic's first president in 1959.

With François Mitterrand, a Socialist, in the Elysee Palace, it was the first time that modern France was to have a head of state and a head of government from opposing political camps, the so-called cohabitation policy.

Many political observers gave the new government no more than a few months in office.

Now, few speculate on its longevity, concentrating instead on the likely scenarios when presidential elections fall due in the spring of next year.

Mr. Chirac's Neo-Gaullist Rally for the Republic, and its center-right coalition partner, the Union for French Democracy, came to power with promises of radical reforms, particularly in the economy.

As these reforms were instituted at a fast pace, a series of crises dogged the Chirac government, leaving it to answer charges that it was uncaring and dismissive of social issues.

Mr. Chirac's troubles came to the surface in December, when a student movement against university reforms, that had started peacefully, began to turn violent.

Critics of the government laid the blame for the violence on police handling of demonstrators.

The affair turned to tragedy in the early hours of Dec. 6, when a student, Malik Ousseine, died after receiving a beating from riot police who had just imposed the Sorbonne of protesters.

The government had already withdrawn the three elements of reform that most offended the students — the introduction of a selection system, an increase in tuition fees and allowing universities, which have uniform state diplomas, to issue their own degrees.

After the student's death, the minister for higher education, Alain Devaquet, resigned and the government withdrew the whole reform project.

Marches through Paris and other cities continued for a few days, however, in mourning for Mr. Ousseine. The students were joined by thousands of middle-aged men and women, angered by the police behavior.

To cool the atmosphere, the government postponed debate on other controversial legislation, particularly a new French nationality code and a plan to allow prisons to be built and run by private firms.

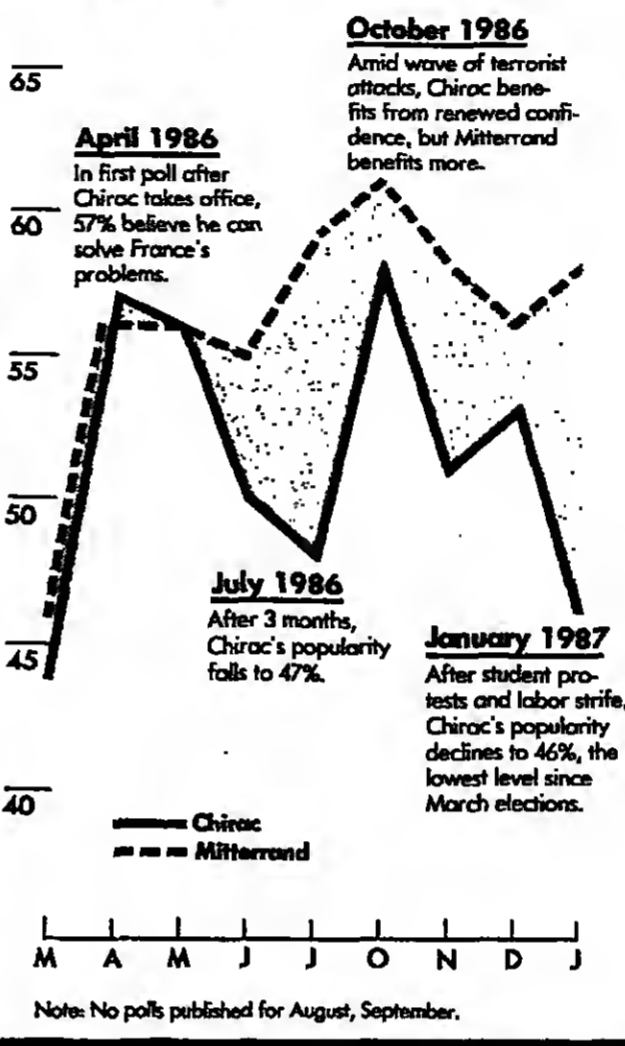
The nationality law, which would end automatic French citizenship for all people born in France, has since been shelved while awaiting revision.

Soon after the student protests, the government was again plunged into crisis as railroad engineers walked off the job in anger over a new pay deal that would have ensured promotions on merit instead of by seniority as at present.

The government refused to intervene in the conflict between the state-owned railroad, the SNCF, and its workers. This

Continued on page 8

Declining Confidence In the Polls



Note: No polls published for August, September. Source: SOFRES/Figures Magazine



Joan Schatzberg

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BRIOCHE PASQUIER CRÉDIT INDUSTRIEL DE LOUEST	JOUETS CLAIRBOIS SOCIÉTÉ LYONNAISE DE BANQUE
CATTEAU BANQUE SCALBERT DUPONT	MACC CRÉDIT INDUSTRIEL DE LOUEST
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COMPAGNIE DES AGENTS DE CHANGE

BOURSE DE PARIS

Are the French Ready for New, Modern Era?

'We are an old rural nation...'

By Joseph Fitchett

PARIS — When student protests forced Prime Minister Jacques Chirac to retreat from plans last December to make universities more competitive institutions, the episode was more than just a blow to the government's political prestige. The student revolt's unexpected strength also raised questions about French society's readiness to accept changes of a sort widely considered to be overdue.

France had seemed ready for a conservative revolution after five years of Socialist government. The Socialists had paved the way, as economic realities had forced them to renounce their doctrines of state control and preach the virtues of competition.

With both Socialists and neo-Gaullists claiming to be converts to fostering private initiative, France was presumed ready to throw off its historical reliance on strong state intervention and, in a bound, escape the bonds of red tape, unions and labor-law rigidity.

Business culture had supplanted literary gossip at smart dinners, telegraphic tycoons such as Bernard Tapie were media darlings, the hour had struck for what the French call "liberalism" — which equates with the English "conservative economics" and means in practice these days a dose of Reaganomics to unleash entrepreneurial energy.

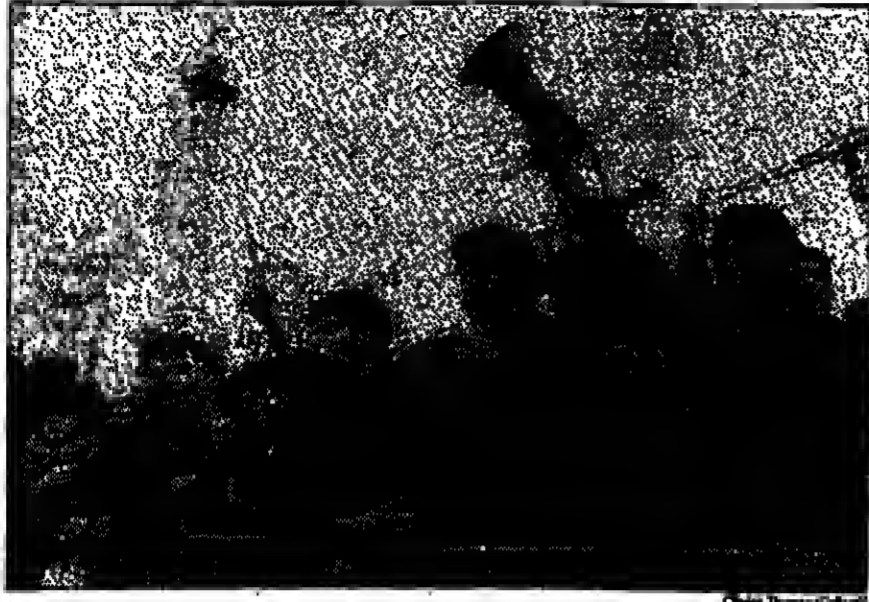
Although begun under these auspicious omens, the conservative revolution in France's business culture and social consensus seems postponed indefinitely.

Mr. Chirac's government, while successfully denationalizing banks and industry, stumbled in trying to shake up work habits. Conflicts about emphasizing incentives instead of seniority, merit instead of equality — changes whose symbolic dimensions vastly outran their actual impact — ballooned into a national confrontation.

Strikes, emulating the students' protest, blocked productivity plans in other law-making, state-owned enterprises, including railroads, the Paris Métro and the harbor at Marseilles, the nation's largest port.

A peculiarity of the strikes was that they were led by students or workers from outside the trade unions, which traditionally handle collective bargaining in strongly centralized France. The unions' lack of leverage, and the strikers' ill-defined agenda, made the conflicts hard to settle. To many observers, the protest seemed to be a general revolt against the idea of change.

Suddenly, deeper questions were being asked about France's future. Are French people ready to modernize their economy if the price is accepting a more competitive existence? Can any government overcome entrenched resistance to rolling back job security and social protection in key sectors, particular-



Students at the Bastille: Their unexpected strength raised questions.

ly in state-owned public services? Has France really moved closer to a national political consensus enshrining private business and a better performing public sector as the country's best hope for growth in wealth and jobs?

France, like other West European nations, needs to shake up its business habits to thrive in a more competitive global economy. But French society has long been ambivalent about the commercial scramble.

"We are an old rural nation and a traditional Catholic society, with ambiguous feelings about money: We like settled fortunes, but we are suspicious about money that flows, irrigates — and may evaporate," said Jean Boissonat, editor of L'Expansion, France's leading business magazine.

But, after centuries of looking to the state to provide security, the French are being summoned to a more rough-and-tumble climate. Most significantly, any shake-up has to struggle with entrenched interest groups' reflex of clinging to any advantage, even if a small sacrifice might help the overall economy.

Mr. Boissonat summed up the dilemma recently. "When France peers into the future, it looks cross-eyed because of our nation's split personality: Combative individualism contrasts soothing egalitarianism [credited with preserving social peace]," he wrote, adding: "It will take years of gentle persuasion to nudge social and industrial groups away from their vested interests and into a new dynamic."

Many analysts agree that long-run trends are making France more like neighboring industrial countries, reducing French people's dependence on the state and increasing the role of private initiative.

For the moment, however, France has settled for superficial changes. "When I see Mr. Chirac doing out the privatized television stations rather than publicly selling them, I don't see any liberalism," said Alfred Grosser, a French political writer.

The Chirac government, attempting to wean the nation abruptly from comfortable habits, seems to have triggered a backlash that has slowed, for now, the process of change.

Acknowledging that mistakes were made, a conservative strategist, Jacques Toubon, secretary-general of Mr. Chirac's party, the neo-Gaullist Rally for the Republic, said in an interview that he and his colleagues had underestimated French people's attachment to what he called leftist values — equality over freedom, solidarity over success, stability over risk.

As the party's spokesman, Mr. Toubon has tried to recover the initiative by stressing the notion that "France's only chance of getting out of the economic and social crisis is for France to risk some changes." But his upbeat approach apparently came too late to rally public support.

Nonetheless, he contended, the government has created an "irreversible new momentum in France: Privatization, which will develop popular capitalism and is the modern form of worker participation advocated by General de Gaulle; a trend toward flexibility in working conditions; autonomy for the central bank — all these will make our economy more market-oriented."

He and Philippe Seguin, minister of labor, have said that they remain committed to a planned law to increase industrial flexibility, mainly by authorizing employers to negotiate variable work-weeks to accommodate fluctuations in demand. "We will legislate, and we will help pay for retraining and other incentives for mobility, but it will take time for all this to pass into French habits," Mr. Seguin recently told a business audience.

But Mr. Toubon, in omitting any major social initiatives, tacitly admitted that the government has abandoned its most ambitious plans — for example, to restore control of the universities to professors and eliminate the students' power that has remained since May 1968; to privatize major public-service enter-

prises, and to eliminate the trade unions as a major bargaining partner.

"The conservatives, with their technocrats trying to change society by decree instead of piecemeal by practical steps, were as clumsy as the Socialists," Michel Crozier, a sociologist, wrote recently in Le Point magazine.

"French people have never been more tolerant, more pluralistic, more enterprising: They are ready for reforms," he added. "But not just any reform."

A much less sanguine view of the French mentality appeared in an accompanying article by another sociologist, Alain Touraine: "What strikes me is the increasing ungovernability of this country," France, he continued, "has become a nation of people on the defensive, still ready to demand that government shelter them from the economic crisis, instead of scrambling to look out for themselves."

Most analysts, however, are closer to Mr. Crozier in describing France as ready for change, if it is gradual and actively handled.

"An encouraging sign is that the agitation did not immediately turn to political extremism: Nobody called for the system's overthrow, or even for the government to resign," Nicholas Wahl, an American specialist on France, noted in Paris during the strikes.

Conservative strategists, however, deliberately chose shock tactics, a confrontational approach, insiders say, that was intended to crush the trade unions instead of negotiating with them. The unions, weakened by years of high unemployment and not revitalized while the Socialists were in power, seemed ripe to be eliminated as a major force in the French business climate, they confided.

The government's actions, however, miscarried when wildcat strikes got out of control and were especially hard to settle because the unions themselves lacked bargaining power with their own rank and file.

"We indulged in a crazy dream," said an influential member of the Patronat, the employers' association, who asked not to be identified. He and others now recognize that trade union power is not the primary obstacle to changing job habits. More importantly, without unions to help negotiate, change often is harder, not easier, to bring about.

"It's a naive misconception to think that a modern industrial nation can be governed without unions to help articulate workers' interests," noted Suzanne Berger, a French affairs specialist at the Massachusetts Institute of Technology. "The moment has come for France to rediscover the necessity of unions."

The crash program of Mr. Chirac also went too far, too fast in other areas, often upsetting his fellow conservatives, writes Jérôme Jaffré, a public opinion analyst, in "L'Etat de l'Opinion: Clés for 1987" (The State of Public Opinion: Keys for 1987). The abolition of the wealth tax and the decision to ease formalities for firing employees, Mr. Jaffré said, divided Mr. Chirac's own electorate.

Without saying that the pendulum in France will swing back from the conservatives, Mr. Jaffré said that French people favor more deregulation and more personal initiative, but they rebel at open assaults on social protections or on the egalitarian philosophy that still prevails in the nation's institutions.

Mitterrand: Playing For Time

PARIS — As Prime Minister Jacques Chirac has dealt with a succession of crises, President François Mitterrand has shown little desire to exploit his rival's misfortunes.

The reason, several political sources say, is that the president wants Mr. Chirac to remain the main leader of the right and be the conservative candidate in next year's presidential election.

The president has maintained a steady lead over Mr. Chirac in opinion polls.

And Mr. Mitterrand believes that, in a presidential election, he would find Mr. Chirac easier to beat than the other likely rightist candidate, Raymond Barre, the sources say.

Last fall, Mr. Mitterrand said publicly that he did not intend to be a candidate for the presidency in 1988, when his seven-year term ends. But he did not exclude his candidacy in the event that he was asked to run.

Lionel Jospin, the first secretary of the Socialist Party, has proposed a motion for the party's congress in April expressing the hope that Mr. Mitterrand will be the Socialist candidate. If accepted by the congress, the proposal would become party policy.

Published in January, the proposal already has anguished the supporters of the other most likely Socialist candidate, Michel Rocard. Mr. Rocard, a former agriculture minister, has a consistently high rating in opinion polls. Within the party, he has long been seen as a Mitterrand rival.

Supporters of Mr. Rocard, responding to the Jospin text, have attempted to head off a decision at the April congress on their presidential candidate by suggesting a separation of "the debate on our policies from the debate on nominations."

The Mitterrand camp, however, sees the friction between the Socialist Party factions as dangerous only for Mr. Rocard. Other possible Socialist candidates are former prime ministers Laurent Fabius and Pierre Mauroy, who both currently back Mr. Mitterrand's candidacy for 1988.

Shortly after the internal Socialist Party squabble started, Mr. Rocard's popularity fell to 49 percent, according to a poll published in the weekly journal du Dimanche in late January. A similar poll conducted a month earlier by the IFOP polling organization gave him 56 percent.

A series of opinion polls published just after France came out of one of its most uncomfortable crises in recent years, with public-sector strikes causing transport chaos and electricity strikes over the Christmas and New Year holidays, showed only one politician gaining. That was Mr. Barre, the most resolute opponent of the concept of a conservative prime minister sharing power with a Socialist president.

One of the leading members of the Union for French Democracy, the alliance of centrist parties that is the coalition partner of



Mr. Chirac's Neo-Gaullist rival, Mr. Barre scored highest in the IFOP poll — 56 percent.

Mr. Barre, who was prime minister from 1976 to 1981 under President Valéry Giscard d'Estaing, increased his popularity after appearing in his first formal television interview since the March elections at the height of the public-sector strikes.

As for Mr. Mitterrand, the past 11 months have given him the opportunity, while losing much of his power, to appear as a sort of arbiter, particularly on social issues. But he has had to tread a delicate road.

He refused to sign three decrees put before him by Mr. Chirac to head off parliamentary debate, but at other times he has been most supportive of the government. He expressed his solidarity with the government's stand against terrorism but then chided it when reports began to surface that the Chirac government was conducting negotiations to head off new bombings.

Another factor that could influence next year's presidential election is the length of the presidential term.

For the past decade there has been talk of reducing the presidential mandate from seven to five years to coincide with the term of the National Assembly. In January, Mr. Giscard d'Estaing said he believed Mr. Mitterrand would hold the referendum needed to change the constitution and reduce the term during 1987.

Next year, Mr. Mitterrand will be 72 and the length of a fresh mandate could be a serious election issue.

In general terms, some analysts say, Mr. Mitterrand would like to see the Chirac government overcome its crises with himself retaining a fatherly overseer's role. If this happens, and Mr. Chirac is able to go forward as the right's main candidate, Mr. Mitterrand feels he can win another term.

If, however, Mr. Barre benefits from crisis after crisis and puts himself forward as the man who can put France together again, the fight will be much more difficult. And, the sources say, if he thinks he will lose, Mr. Mitterrand is not likely to run.

Julian Nundy

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COMPAGNIE LA HÉNIN :
des métiers, une volonté de les dynamiser

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PERSONAL INVESTING

FOCUS

Cash Keeps Tokyo Afloat

IT IS THE KIND OF ARGUMENT that routinely works its way through the marketplace when analysts exhaust the seemingly more plausible reasons to explain a rally. And this time is no different. Now that the Nikkei index has passed 20,000 in defiance of Japan's somber economic prospects and a market price-earnings multiple approaching 50, experts are once again talking about the excess liquidity that drives the Tokyo Stock Exchange.

Japanese institutions, so the argument goes, are flush with cash and, in the absence of better investment alternatives, have been pumping money into the stock market at an alarming rate. It is reckoned that more than 20 trillion yen (about \$135 billion, at current exchange rates) in fresh funds flowed into the market last year, an even more startling amount considering that foreign investors were net sellers of Japanese securities in 1986.

Tokkin funds account for the biggest chunk of new investment. These giant funds, which invest surplus corporate cash, have grown enormously thanks largely to the reluctance of Japanese companies to embark on capital spending plans because of the economic slowdown. It is even suspected that the proceeds from recent corporate borrowings in the Euro market are being funneled directly into the Tokyo market until the Japanese economy displays more vigor.

"If you can't generate income from normal operations, you naturally look elsewhere," says Paul Aron, vice chairman of Daiwa Securities America, a subsidiary of the big Japanese brokerage. He estimates that large Japanese companies are deriving about one-half of their pretax income from the stock market.

WHILE SUCH LIQUIDITY is necessary to sustain a rally, whether it is a sufficient reason to invest in Japanese stocks is another matter.

"Our experience is that it has been a relevant argument, even with the multiples so high," says Jacob Van Druyn, head of research and capital management for the Robeco group of funds in Rotterdam. Adds Laura Luckyn-Malone, who manages the Japan Fund, a closed-end fund listed on the New York Stock Exchange: "You can't fight it."

Such money managers say that the sheer weight of money will continue to sustain Tokyo's rally. The Bank of Japan's relaxed monetary stance, which has resulted in bond yields of just 4.5 percent, will likely continue, they note. Moreover, Ms. Malone says tax reform this year will probably eliminate the exemptions on certain popular deposit accounts. Much of this cash is likely to flow into Japan's mutual fund industry, she says.

Still, some money managers are skeptical. Glen Wellman, who manages Alliance Capital's International Fund in London, has reduced the Japanese portion of his \$170 million portfolio to 20 percent from 35 percent a year ago.

"If Japanese companies suddenly have a drain on their profitability, there won't be a surplus of funds and you could see a big correction," Mr. Wellman says. He adds that the correlation with a liquidity-driven market is that it is "not forecastable."

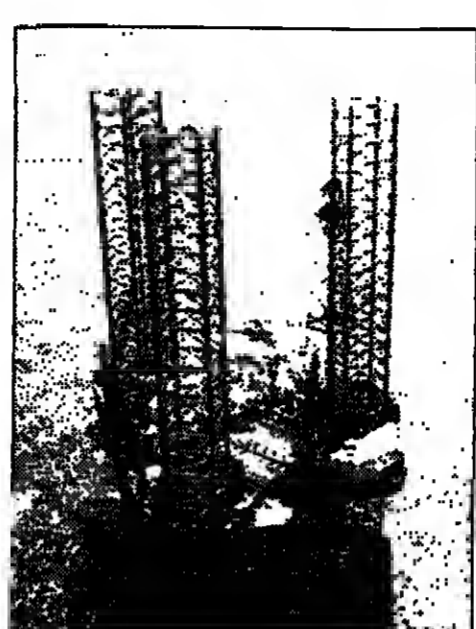
Indeed, some adherents of the liquidity argument admit to concern about the unpredictability of the market. One disturbing sign that liquidity may be getting out of hand, Ms. Malone says, is the heavy volume in seemingly uninspired issues such as Nippon Steel, whose outlook is anything but upbeat.

"Liquidity is a creature of confidence," she says. "Therefore, it can evaporate easily."

John Meenan

The New Look in Limited Partnerships

Oil Drilling: A Stalwart
As big oil companies unload assets at steep discounts, oil and gas partnerships are once again gaining popularity. This oil platform in the Gulf of Mexico is part of Apache Offshore Investment Partnership, a \$225-million program sponsored by Minneapolis-based Apache Corp. Minimum investment was \$7,500.



Equipment Leasing For Diversification
Equipment leasing is part of the diversification from the real estate partnerships that have long dominated the industry. These railroad cars are owned and leased by PLM Equipment Growth Fund, a \$120-million limited partnership sponsored by PLM Financial Services Inc. in San Francisco, which also owns computer aircraft, tractor-trailers and freight containers.



Breaking New Ground: Big Time Sports
Investors concerned about liquidity are paying close attention to the growing number of master limited partnerships. Owners of the Boston Celtics recently reorganized the basketball team as a MLP, selling a 40-percent interest to investors for about \$52 million. Average annual yields are projected at 6.5 percent.

U.S. deal makers are stressing income and looking abroad for new investors.

By Alex Barnum

IN THE PAST FIVE YEARS, Lawrence D. Menconi Jr., a co-owner and vice president of a successful graphic arts company in Des Plaines, Illinois, has become a more sophisticated investor. Emboldened by the fast growth of his company, Mr. Menconi has dabbled in some pretty risky investments: apartment buildings, oil wells and silver mines.

But now that the Tax Reform Act of 1986 effectively eliminates tax shelters from the U.S. tax code, Mr. Menconi is changing his strategy. "I've taken more of a conservative posture," he says. "Now I'm looking into profitable things with more emphasis on cash flow, not tax shelters."

Mr. Menconi's attitude is not uncommon among investors who bought tax shelters. Until last year, investors in the United States could purchase interests in limited partnerships, which invest in everything from real estate to motion pictures, and count on immediate tax write-offs against their income.

But with the loss of tax shelters, partnerships are shifting their focus to income-oriented programs that produce immediate returns and away from deals in which the major attraction was the huge tax advantages. "Everyone is designing partnerships to produce current income," says William G. Brennan, publisher of Brennan Reports, a tax and investment planning newsletter.

This could broaden their appeal. Already, partnership sponsors are casting eager eyes at overseas investors who have generally steered clear of partnerships in recent years because of a tax theme that seemed better suited to U.S. investors. "Limited partnership" is not something that rolls off the tongue of the European investor, acknowledges Charlynn Goin, who manages foreign offerings for Integrated Resources Inc., a \$2.1 billion financial services company in New York.

The hope is that foreign investors will find the new offerings hard to pass up, especially now that some partnerships are being packaged exclusively for them. Coupled with overbuilding in real estate and low prices in oil and gas — the principal areas of partnership investment — the loss of tax shelters has tightened the belt on the industry. This year, investors are expected to pour \$13.4 billion into partnerships, compared with a record \$19.1 billion only two years ago, according to Fuhrman Nettle, vice president of Robert A. Stanger & Co., a Shrewsbury, New Jersey, investment research firm.

Despite some major casualties, such as the founding of the \$3 billion empire of Craig Hall, a Dallas real estate syndicator, most partnership sponsors are adapting. Faced with declining demand for these investments and a strong stock market, they have reduced commissions and front-end fees and created new ways of financing and structuring deals.

"A lot of the private syndicators are obviously in big trouble," says David B. Levinson, a tax partner at the New York law firm of Rogers & Wells. "But this new marketplace is more efficient. The fees are less and returns are up. What you're seeing is the effects of real economic competition."

Nevertheless, the basic advantages of a partnership investment remain the same. By pooling resources, a

Continued On Page 10

Partnerships That Trade Like Stocks

INVESTORS CONCERNED over liquidity but tempted by the benefits of a partnership might consider master limited partnerships, which are gaining popularity. As William Turchyn Jr., a senior vice president at E.F. Hutton & Co., notes: "MLPs walk and talk like a public offering of common stock."

Master limited partnerships made their debut in 1981, when Apache Petroleum Corp. rounded up 33 of its older oil-drilling partnerships and exchanged their units for shares in a single, public limited partnership that trades on the New York Stock Exchange. While Apache shares plummeted, because of declining oil prices, the idea caught fire.

Spurred by obvious tax advantages, a spate of publicly owned corporations have converted to MLPs. Whereas the federal government taxes corporations twice — once on company revenue and again on dividends paid to investors — a partnership is taxed only once, at the investor level. Thus, some well-known

companies, including T. Boone Pickens's Mesa Petroleum Co., have made the switch.

Master limited partnerships have spread to real estate in recent years in a third form that enables companies to raise money from the sale of assets. Pillsbury Co., for example, last year wrapped up 128 of its Burger King restaurants into an MLP, for which the public paid \$92 million at \$20 a share. In a similar deal, owners of the Boston Celtics are selling a 40 percent interest in the basketball team for \$52 million.

Finally, MLPs are being used for new ventures, particularly in cable television. Prime Cable Income Partners is raising money to buy cable stations. But these deals start out as partnerships and will take a couple of years before they are listed on an exchange.

During 1986, the industry's fifth year, 24 new MLPs appeared on the market, raising \$2.5 billion, according to Robert A. Stanger & Co. While the majority are in oil and gas and real estate, other areas, including minerals and equipment leasing, also have caught on.

Some analysts deride MLPs as a long-term investment gussied up to attract investors who value liquidity and lower risk. That, they say, betrays the nature of the partnership investment.

Further, the stock market is likely to value the assets differently from their appraised worth. "When you are investing in an MLP that is in real estate," says Fuhrman Nettle, Stanger's vice president, "you expose yourself to the vagaries of both the real estate market and the stock market."

A final concern among investors is that MLPs will not survive the scrutiny of Congress or the Treasury Department. The government is concerned that this new form will result in a major loss of corporate tax revenue.

"The market is getting saturated with MLPs," says William G. Brennan, publisher of Brennan Reports. "I don't think Congress will tolerate it. At the rate it's going, what's to prevent GM from being an MLP?"

Alex Barnum

BOURSES

A U.K. Market For Ventures

By Jeff Ferry

FOR TWO HUNDRED YEARS, British business survived happily with only one stock exchange. Then in 1980, the Thatcher government set up the Unlisted Securities Market to encourage the growth of small companies. Now, just seven years later, the Third Market, for still smaller companies, is in action.

The new market is essentially the London Stock Exchange's response to the government's new regulatory system for the securities industry. The rules put forth by the recently founded Securities and Investment Board are expected to cripple, possibly even kill, Britain's over-the-counter market, informal trading in the shares of around 200 small companies that cannot or choose not to seek a USM listing.

Although the OTC market has grown, it has been dogged by scandals. Dealers have gone bust, and investors have lost money. The new Third Market, set up by the LSE with some of the same safeguards that exist in the larger markets, is an effort to create a respectable environment for investment in small companies.

"The full stock-exchange listing," says John Aarons, the LSE's assistant director of policy and markets, "is for companies with a five-year track record. The USM requires three years. The Third Market is for companies with only a one-year record." The market will even accept companies that merely have a sound business plan, provided there is a well-researched product and an expectation of good cash flow in a reasonable period of time.

Of the eight companies that began trading in the Third Market on Jan. 26, only Unit Group, which makes timber pallets, was never traded before. Others, such as Catalyst Communications, a publishing and marketing company, and Aberdeen American Petroleum, an oil explorer and producer, have been traded on the OTC or under special provisions of the stock-exchange rules for small companies. Exchange officials hope to have at least 100 companies listed by the end of the year.

"They are all relatively stable and good-quality companies," says Ted Awty of the accounting firm Peat Marwick, who want capital either for development or for acquisition. "A typical Third Market company, Mr. Awty says, is likely to have annual profits of £200,000 to £500,000 (about \$450,000 to \$750,000, at current exchange rates) and a market capitalization of £3 million to £5 million.



S. Redinger

"is not a quarter as risky as this. This is a high-risk, high-reward opportunity, in a well-regulated environment."

Rory Tappin of the London brokerage firm Rowe & Pimman says small investors will have to study the companies very carefully.

"I'd be looking for something fairly well asset-backed," he says, "with an established management who have at least one or two well-known names on their board of directors."

For a small company, the new market represents an alternative to venture capital. That may have advantages for the company, but potential disadvantages for investors. Indeed, London analysts say it is inevitable that a significant number of the young companies that come to the Third Market will go bankrupt.

"A venture capitalist specializes in offering financial advice, supporting or even replacing management when necessary," says Andrew Davison, managing director of County Development Bank. "The Third Market doesn't offer the continuing support a venture capitalist can give."

"Investing in young companies can be very rewarding," he adds. "We've made returns of 30 percent a year. But that's with a diversified portfolio of over 200 companies, and years of experience of dealing with companies in growth phases."

The LSE's answer to the problem is to require the broker sponsoring a company's entry to the Third Market to take a keen interest in the company's affairs. And a lot will depend on how the sponsor's obligations work out in practice over the coming months. Some venture capitalists doubt that brokers will take a continuing interest on the necessary scale.

By and large, though, the venture capital community is welcoming the Third Market. Besides offering competition, the new market provides an exit route for venture capitalists when they want to reduce their holdings in a company. It is also seen as a source of positive publicity for small companies with the investing public.

FOR THE BRITISH TAXPAYER, a major attraction is that investments in a Third Market company are eligible for tax deduction under the Business Expansion Scheme. BES allows an individual to deduct up to £40,000 of an investment from his taxable income, provided the investment is held for five years.

Analysts see the BES as a major selling point for the Third Market. However, the five-year obligation may create problems for some.

"Liquidity will undoubtedly be the main problem," Mr. Awty says. "The market will be small, and the amount of equity in each company will probably be less than 50 percent. We'll probably see rapidly fluctuating prices. I expect buying will be O.K., but it might be difficult always to sell at a price."

The OTC market has had liquidity problems. Roger Myers, chairman of Theme Holdings, a restaurant group that now trades on the Third Market, said he found that his company's shares on the OTC "were about as tradeable as the Polish zloty." Experts hope that participation by the market-makers of the larger, more professional brokerage houses will improve the situation on the Third Market.

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The Thorny Issue of Brokerage-Customer Disputes

The Supreme Court will decide whether clients always have a right to sue.

By Phil Roosevelt

WITH CUSTOMER COMPLAINTS against stockbrokers on the rise, the U.S. Supreme Court takes up a case next month that could dramatically reduce the avenues of recourse available to disgruntled investors.



Eugene and Julia McMahon sued their broker after losing money in options.

Appropriate for the investor — are among the most common, along with misrepresentation, unauthorized trading and "churning," where the broker trades mainly to generate sales fees.

bach, says the firm is confident it can defend itself from the McMabons' charges, which include unsuitability, misrepresentation and churning. The brokerage, however, has repeatedly argued that agreements signed by the McMabons when they opened their accounts require that the disputes be resolved, not in court, but in arbitration.

is likely to be the focus of the court's review. Exchanges appoint panels of three to five members that include brokerage officials as well as businessmen and attorneys who have no direct ties to the securities industry. Fact-finding procedures common in courtrooms are used sparingly, decisions are never put in writing, and there is practically no way to appeal.

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The Focus of Partnerships Shifts

Continued On Page 9

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FUNDS

Closed-End Fad: Some Stars Have Stumbled

By Cynthia Catterson

AMONG the hottest initial public offerings of 1986 were closed-end funds. Investors snapped up about \$4 billion of such offerings in the United States, the greatest surge of new closed-end funds since the 1920s. By the end of the year, though, the market was having trouble digesting the new issues and their performance was suffering.

Some buyers were no doubt beguiled by heavy marketing and the reputation of the fund's sponsors, who included big-name money managers and newsletter authors such as Mario Gabelli, Martin Zweig and Charles Allmon. By the time December rolled around, discouraged investors looking for tax losses sold their closed-end shares. Says Calvin Puckett, president of Simms Capital Management: "Once the bubble burst, the funds all dried up."

Mr. Zweig says he had expected the year-end setbacks to cool the market for a while. "But the funds seem to have bounced back, and new issues have already announced, so I'm beginning to change my mind," he says.

In mid-January, Merrill Lynch offered the \$1.3 billion Duff & Phelps Selected Utilities Fund, which invests in equity and fixed-income securities of the public-utilities industry. Oppenheimer & Co. plans to launch a \$100 million issue dubbed the Quest for Value Dual Purpose Trust. Such offerings can pay well for underwriters, who earn as much as three times the commission for selling new issues over existing funds.

Still, some market watchers view the Duff & Phelps issue, the largest closed-end entry ever, as the beginning of the end for the latest wave of these funds. Thomas J. Herzfeld, a Miami, Florida, adviser who specializes in closed-end funds, says investors would probably do better to look beyond the new entrants to more seasoned issues in this sector.

Mr. Herzfeld notes that the share prices of many of last year's closed-end offerings quickly soared to stiff premiums over their net asset value—the value of the underlying portfolio divided by the number of shares outstanding—and then sank to discounts. According to Mr. Herzfeld, last year's new issues typically sold at an average premium of 7 percent for the first three months after coming to the market, then dropped to an average 8 percent discount within the following three months.

"There was a lot of money lost

by initial investors, and money made by those who came in later," he notes.

Followers of closed-end funds—so called because they maintain a fixed number of shares—generally look for issues trading at a discount to their net asset value, on the principle that the investor gets more bang for the buck and stands to gain if the discount narrows as the market perceives the undervalued situation. The accepted view is that funds trading at a premium should be avoided unless there is a compelling reason to expect the issue to surge.

Even at these discounts, Mr. Herzfeld is steering clear of many of last year's issues. Instead, he is focusing on some special situations such as the Emerging Medical Technology fund, managed by AMA Advisors, an affiliate of the American Medical Association.

Fund	OCTOBER 1986			JANUARY 1987		
	Price	Net Asset Value	Premium	Price	Net Asset Value	Discount
Zweig Fund Martin Zweig	23.00	21.00	7%	21.00	21.00	0%
Gabelli Equity Trust Mario Gabelli	22.00	20.00	10%	19.00	20.00	5%
Cypress Fund Mitchell Hutchins Asset Management	21.00	19.00	9%	18.00	19.00	6%
Global Growth & Income Fund First Boston Asset Management	20.00	18.00	11%	17.00	18.00	6%
Worldwide Value Lombard Ocler	19.00	17.00	12%	16.00	17.00	6%

Thomas J. Herzfeld Advisors Inc., Miami

The Italy Fund is one example of a fund issued last year that has swung to such deep discounts that Mr. Herzfeld senses opportunity. The fund, which invests only in Italian securities, has moved from a premium of more than 40 percent in last March to a discount of about 23 percent, he notes. Another "single country" issue he finds attractive is the First Australia Prime Income Fund, whose premium has eroded since it took a pun-

Nicholas Bratt, the Korea Fund's president, concurs that premiums will gradually shrink as other means of access, such as the EuroKorea Fund and convertible bonds issued by Korean companies, provide alternative foreign investment opportunities. But he still expects the fund's price to climb. "Premiums may narrow, but the net asset value and the share price will be higher," he says.

ANOTHER USEFUL exercise is to compare how a fund stands in relation to other funds with similar assets and objectives. Investors who did so last year might not have been so enamored with the offerings by U.S. investment stars, suggests Mr. Herzfeld.

"People are buying designer funds, like people buy designer clothes," he asserts. "There are plenty of qualified managers who are not in the limelight, who have records that are just as good, but their funds are not selling at the high premiums."

Mr. Herzfeld says it is often useful to compare U.S. closed-end offerings with similar issues listed on the London Stock Exchange, where the different investment cli-

mate can produce intriguing results. Last March, he notes, the Growth Stock Outlook Trust, a fund managed by Charles Allmon, a highly successful adviser and newsletter author, was launched in the United States at \$10 a share, a 7 to 8 percent premium to its net asset value. About the same time, on the London Stock Exchange, the Edinburgh American Assets Trust, a closed-end fund of comparable makeup and strategy, was selling at a 21 percent discount for \$1.60 a share.

By January, however, the premium on Growth Stock Outlook Trust had turned into a 10 percent discount as the share price dropped to \$8.83. The shares price of the Edinburgh fund, which is managed by Iwory & Sims, had climbed to \$1.87 and narrowed its discount to 18 percent.

One London-listed fund that Mr. Herzfeld recommends is London Trust, which specializes in venture capital projects in technology. Managed by the San Francisco-based firm of Hambrecht & Quist, it is selling at about a 35 percent discount to its share price of just under \$1. He says the fund gives investors a means to participate in venture capital while maintaining liquidity.

"People are buying designer funds, like people buy designer clothes."

The fund invests in the development of medical products and services. It trades at about \$13.875, a 7 percent discount to its net asset value. Mr. Herzfeld attributes the discount to the relative obscurity of the fund, which trades on the American Stock Exchange and has no active sponsorship among brokers. Mr. Herzfeld would be a buyer when the discount reaches 10 percent.

Another Herzfeld favorite is Baker Fentress, which manages an extensive blue-chip portfolio with the goals of long-term growth and moderate income. He notes that the officers of the management company own a substantial portion of the fund's equity. The management tends to buy back shares when the discount widens to more than 15 percent, he says. Baker Fentress sells on the over-the-counter market at about \$45.50, a 16 percent discount to its net asset value.

Monitoring the movement of discounts is an important part of playing the sector. Discounts can just as easily widen as they can narrow, with negative consequences for returns. Specialists suggest that investors track the fund they are considering for a while and wait until discounts are no less than 5 percentage points wider than the average discount of the fund before buying.

meing from the drop in the Australian dollar.

Indeed, there can be cases when a premium need not be a deterrent. The Korea Fund, managed by Scudder Stevens & Clark, is an example of an issue that still enjoys strong demand despite a stiff premium. It has been one of the few vehicles available for foreigners to invest in the South Korean market, although a EuroKorea Fund is reportedly being readied for launch on the London Exchange in March.

The Korea Fund's premium has ranged from 30 to 100 percent of its net asset value since it was launched at a 13 percent premium in August 1984. "The high premium primarily reflects investors' confidence in the current industrial boom in Korea," Mr. Puckett notes. There has been talk of the fund's value tripling within the next five years.

Some analysts believe the optimism is overdone. They cite the instability of the Korean government and question whether the Korean economy can continue its strong growth. Even if these worries prove unfounded, Mr. Puckett says, premiums could plunge as the Korean government follows through on plans to open the market to foreign investors during the 1990s.

takeover provisions unless they are trading at extremely wide discounts.

Of the new issues that do not include such provisions, Mr. Herzfeld sees the First Financial Fund as a likely candidate for reorganization. The fund, which was issued last May, is one of five that invests in regional banks and thrifts. All five funds have gone to wide discounts of about 18 percent.

However, First Financial is the only one that does not have anti-takeover provisions in its charter. In addition, the fund is managed by Wellington Management, which also runs the Vanguard group of mutual funds. That factor, he believes, is likely to weigh heavily in favor of First Financial's reorganization.

Cynthia Catterson

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How Funds Get Locked In

ONE of the attractions of buying a closed-end fund with a hefty discount has typically been the possibility that management might decide to go "open-ended."

This means the fund would be turned into a mutual fund, whose prices mirror their net asset values. In that event, investors who bought the fund at a discount before it "opened" would reap an immediate profit, being able to redeem their shares at net asset value.

Traditionally, shareholders fed up with persistently deep discounts could try in muster enough votes to force the fund to liquidate, change management or become open-ended to protect their investment. Indeed, institutional investors in Britain have put more

performance pressure on fund managers there to maximize share values or face what is called "unitization" in British parlance.

But many of the newer American funds now carry anti-takeover provisions in their bylaws and charters designed to frustrate any effort to buy up the shares at a discount with the aim of forcing changes on management. These provisions have the effect of putting most of the decision-making clout in the hands of the managers.

Thomas J. Herzfeld, an investment adviser who specializes in closed-end funds, says closed-end funds that have such restrictions are like ships without lifeboats.

"There's no way for investors to save their money if the fund starts to turn sour," he says. He recommends avoiding funds with anti-

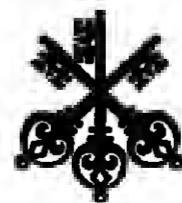


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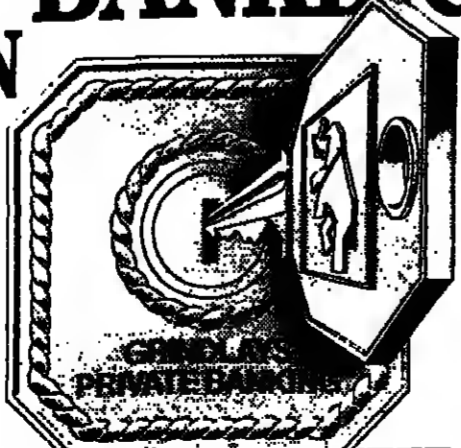
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THE TRADER

A Renewed Fascination With Warrants

By James C. Boland

THE ALLURE OF STOCK WARRANTS — rights that allow investors to buy common shares for an extended time at a fixed price — tends to rise and fall with speculative fervor. The game offers both big rewards and high risks. Indeed, many holders of warrants have done quite well in the recent Wall Street surge. But not all warrant holders have struck gold; many issues bypassed by the bullish crowd. Stock options, another speculative play, have done much better on average. However, in some ways, warrants are often more attractive than options. While both represent a right to buy stock at certain prices, the longest life of a listed option is nine months. Many warrants have years to run, enabling an investor to place a relatively low-cost, long-term bet on a company. When the bet is successful, a warrant payoff — like an option payoff — can far exceed the returns on the related common stock. In the last year, ICN Pharmaceuticals, which trades on the New York Stock Exchange, ran from \$10.25 to as high as \$34. But in the over-the-counter market, the ICN warrants, which entitle the holder to buy the common at \$9 through May 1989, shot from \$4.25 to \$26.25. The gains: 231 percent for the stock, 517 percent for the warrants. Of course, the volatility sword can cut both ways.

By the end of January, ICN common had fallen about 26 percent from its peak, to \$24.50, while the warrants had sagged 39 percent, to \$16. And that was a modest drop compared with the routs in some other warrants tied to falling stocks. The warrants on MCI Communications, which enable the owner to buy the common at \$27.50 until August 1988, have traded as low as 6 cents in recent weeks, as the stock drifts just over \$6. For the warrant, that is a loss of more than 99 percent since 1983, when the stock topped \$28. The market in warrants is a bazaar of unique and sometimes puzzling creations. They are usually issued by lesser-known companies as part of financing to lower interest rate costs or raise equity sale prices by offering investors a kicker. Many warrants are issued by companies whose stocks are not covered by options. A warrant may give the holder a right to buy a full share at a certain price, or a partial share. The exercise price may change at various dates, \$8 until 1988, for example, \$9 after that. Some warrants may be called back by the company at certain prices before expiration. Expirations may be extended or other terms adjusted. In addition, stock bought by some warrants can be paid for with bonds, preferred stock or another senior security of the issuer, at face value. If such securities are trading below par, this can create a discount in the effective exercise price. "You are buying them for leverage, looking for more bang for your buck," says Allan S. Lyons, executive editor of Value Line Convertibles, a survey covering convertible securities, including about 95 actively traded warrants. Warrants, on average, are three and a half times as volatile as common stocks, according to Mr. Lyons, but "only one-third as risky as the typical option." The difference is largely a product of the differing lifetimes of the securities — in theory, infinite for a stock, years for a warrant, and months for an option. Mr. Lyons looks for "favorable leverage, where the warrant will move up faster than it will go down on equal moves in a stock." Usually, such favorable leverage can be found in an inexpensive, but long-lived, warrant on a stock trading not far below the exercise price. "If the stock goes up 10 percent, the warrant may go up 100 percent," Mr. Lyons says. "But if the stock goes down 10 percent, the warrant may only go down 40 percent." This is because investors will pay something for the warrant on the chance the stock will recover. As an example, Mr. Lyons cites the warrant on Clabir Corp., a small holding company trading at about \$7.625 on the NYSE at the end of January. The warrant, quoted at about 69 cents on the American Stock Exchange, enables the owner to buy a share of Clabir's Class B common at \$9.34 until July 1991. However, using Clabir's \$3.31 preferred stock in payment cuts the effective exercise price to \$7.85. "On a 25-percent rise in the stock, we calculate the warrant would go up 175 percent," Mr. Lyons says. "On a 25-percent drop, we think the warrant would go down only 35 percent."

Warrants on three interest-sensitive Big Board issues were cited recently by Value Line Convertibles as timely buys: The Federal National Mortgage Association (Fannie Mae), exercisable at \$44.25 until February 1991, trading over the counter at about \$14.50, versus \$42.25 for the common; Mortgage and Realty Trust, good for 1.5 shares at \$20 a share until January 1992, trading at \$3.13 on the Amex, versus \$22 for the common; Student Loan Marketing Association (Sallie Mae), exercisable at \$100 until August 1991, trading over the counter at \$13.75, versus \$72.75 for the common. But Sidney Fried, editor of the RHM Survey, which covers warrants, options and low-priced stocks, described warrants on Fannie Mae and Sallie Mae as "just trading vehicles," lacking the spectacular leverage of a low-priced warrant. Indeed, Mr. Fried finds that the 500 issues his 25-year-old service monitors are overpriced as a group. "The play in warrants comes when a market turns down sharply and warrants go down to pennies," Mr. Fried said. "Then, if there are enough years left in the warrant and the company survives, you can get some tremendous leverage. The real play is great patience." Mr. Lyons said that warrant premiums appear to be relatively higher now than those on options, reflecting speculative interest.

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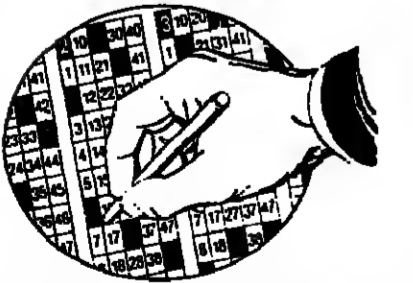
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STRATEGY

Merchant Banks: The Ardor Cools

Scandal and competition cloud their prospects.

WHEN ROD BARRETT talks about shares in Britain's merchant banks these days, it is with a subdued tone that contrasts sharply with the excitement that surrounded the sector last year. "The outlook is for a flat year," says Hoare Govett Ltd.'s banking analyst. "There are no buys for now." This negative view is fairly common in London's financial district. Riddled by scandals and faced with an uncertain profit picture, most analysts have been warning their clients to tread warily among merchant banks in the months ahead. Of immediate concern to many experts is the adverse publicity being generated by the Guinness PLC affair and speculation about Morgan Grenfell & Co.'s possible involvement in a stock manipulation scheme. Most analysts expect the scandal to dominate headlines for some time and the prospect of a steady stream of revelations has made many cautious of the sector as a whole. Christopher Davis, an analyst at L. Messel & Co., fears that merchant banks that have little interest in the merger and acquisitions business at the heart of the current scandal "may be dragged down in this bloodletting." Indeed, the tougher takeover disclosure rules issued late last month have already taken a toll on the sector. Merchant banks, most notably Morgan Grenfell and Hill Samuel Group PLC, have been the focus of takeover talk for some time. Many analysts felt foreign investors were especially interested because of what were perceived to be undischarged assets and the key position of merchant bank in London's financial industry.

Market Scoreboard

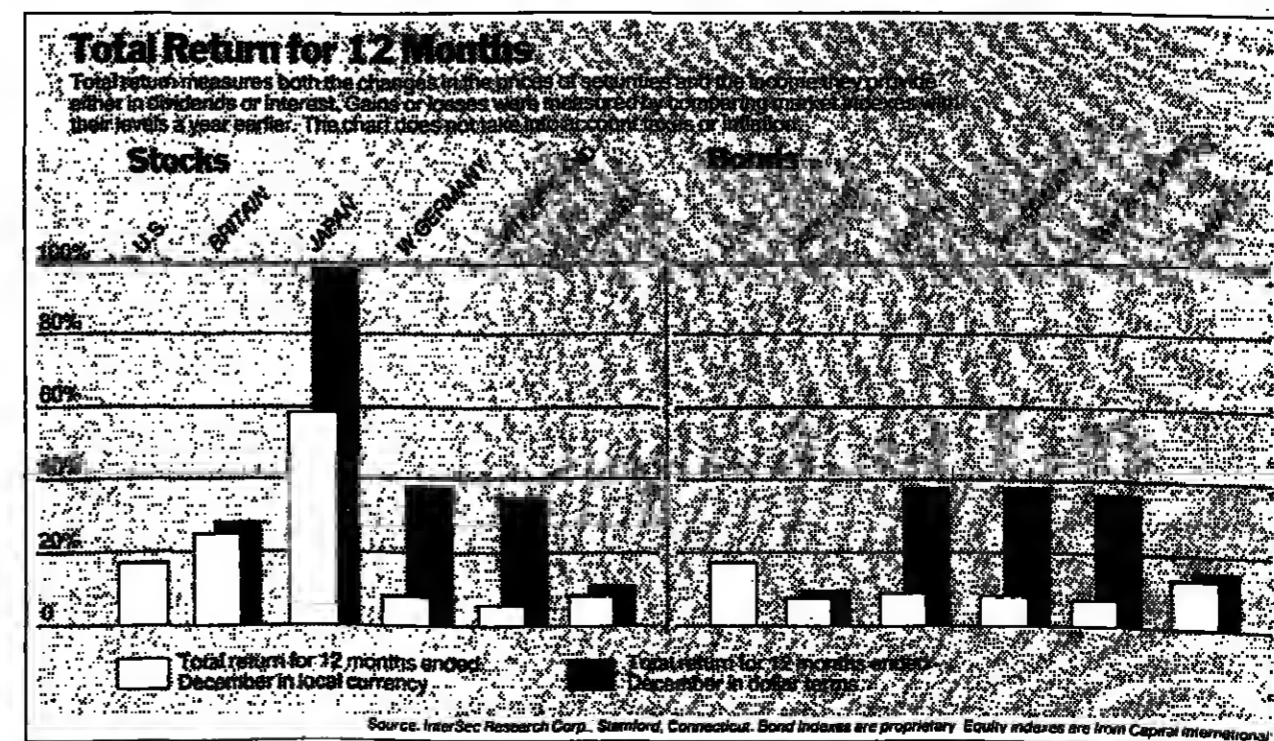
Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in January.

Market Scoreboard table with columns: Exchange, Stock Name, Percent Gain, Price Jan. 30, Percent Loss, Price Jan. 30. Sections include New York Stock Exchange, American Stock Exchange, and Tokyo Stock Exchange.

But it is widely feared that the new regulations, which require investors to disclose their share dealings after acquiring more than 1 percent of a company involved in a takeover, will frighten potential suitors away. At the same time, analysts have deep reservations about the earnings potential at several banks. Merger and acquisition activity is expected to be down sharply this year now that many of the big deals are completed. Moreover, they say the fallout from the Guinness affair may further diminish opportunities. There is no shortage of messages from the authorities that [the merchant banks] should play the game fairly or see an SEC-type of regulatory body," says Hoare Govett's Mr. Barrett, referring to the U.S. Securities and Exchange Commission. "The general impression is that the hostile merger-takeovers will fade from the scene." The prospect of lost revenue comes at a particularly bad time for many of the merchant banks, which have seen competition increase and overhead soar because of the "Big Bang" of deregulation. On average, some analysts expect 1987's earnings to be about half of last year's gain. Merchant banks have had to bolster their securities research and trading departments, often paying significantly higher salaries to attract and keep talent. At the same time they have seen the dominance in London's capital markets come under pressure

from a number of new players, notably from the United States. Analysts say this is especially true in the fixed income market, where deals in British government bonds, or gilts, had traditionally generated comfortable earnings. "It was always a question on people's lips as to whether there is enough profit to go around," Mr. Barrett says. "Everyone said they would tough it out. Well, now they are toughing it out." Despite the distinctly bearish outlook, analysts still expect some merchant banks to emerge relatively unscathed. John Tyoe, an analyst with Laing & Crutchank, likes Schroders PLC and its successful fund management business. He also gives high marks to Schroders' decision to sell its U.S. subsidiary and life insurance interests and invest in Wertheim & Co., a U.S. brokerage. Mr. Tyoe forecasts possible earnings at Schroders of \$50 million in 1987 (about \$45 million, at current exchange rates) compared with an estimated \$19 million last year. Messel's Mr. Davis, meanwhile, is paying attention to merchant banks that are not overly dependent on M&A activity, such as Hambros PLC. "Whatever their high profile and varied interests," he says, "at the end of the day they are still commercial banks."

John Meehan



دكانت الاصل

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-423-1277.
Prices may vary according to market conditions and other factors.

Feb. 6

Dollar Straights

Issuer	Con. Mat.	Price	Yld	Tray	Issuer	Con. Mat.	Price	Yld	Tray
Australia					France				
Aust. Govt 10%	10/90	102.5	7.5	+42	Fr. Govt 10%	10/90	102.5	7.5	+42
Aust. Govt 15%	10/90	102.5	7.5	+42	Fr. Govt 15%	10/90	102.5	7.5	+42
Aust. Govt 20%	10/90	102.5	7.5	+42	Fr. Govt 20%	10/90	102.5	7.5	+42
Canada					Germany				
Can. Govt 10%	10/90	102.5	7.5	+42	Ger. Govt 10%	10/90	102.5	7.5	+42
Can. Govt 15%	10/90	102.5	7.5	+42	Ger. Govt 15%	10/90	102.5	7.5	+42
Can. Govt 20%	10/90	102.5	7.5	+42	Ger. Govt 20%	10/90	102.5	7.5	+42

American Exchange Options

Figures as of close of trading Friday.

Option & price	Colls	Puts	Option & price	Colls	Puts
Feb Mar 2 1/8	2 1/8	2 1/8	Apr May 2 1/8	2 1/8	2 1/8
Mar Apr 2 1/8	2 1/8	2 1/8	May Jun 2 1/8	2 1/8	2 1/8
Apr May 2 1/8	2 1/8	2 1/8	Jun Jul 2 1/8	2 1/8	2 1/8

Chicago Exchange Options

Figures as of close of trading Friday.

Option & price	Colls	Puts	Option & price	Colls	Puts
Feb Mar 2 1/8	2 1/8	2 1/8	Apr May 2 1/8	2 1/8	2 1/8
Mar Apr 2 1/8	2 1/8	2 1/8	May Jun 2 1/8	2 1/8	2 1/8
Apr May 2 1/8	2 1/8	2 1/8	Jun Jul 2 1/8	2 1/8	2 1/8

Western Europe (Other)

Issuer	Con. Mat.	Price	Yld	Tray
Aust. Govt 10%	10/90	102.5	7.5	+42
Aust. Govt 15%	10/90	102.5	7.5	+42
Aust. Govt 20%	10/90	102.5	7.5	+42

DM Zero Coupons

Issuer	Con. Mat.	Price	Yld	Tray
ADM 10%	10/90	102.5	7.5	+42
ADM 15%	10/90	102.5	7.5	+42
ADM 20%	10/90	102.5	7.5	+42

DM Straights

Issuer	Con. Mat.	Price	Yld	Tray
ADM 10%	10/90	102.5	7.5	+42
ADM 15%	10/90	102.5	7.5	+42
ADM 20%	10/90	102.5	7.5	+42

Non-European

Issuer	Con. Mat.	Price	Yld	Tray
ADM 10%	10/90	102.5	7.5	+42
ADM 15%	10/90	102.5	7.5	+42
ADM 20%	10/90	102.5	7.5	+42

DM Zero Coupons

Issuer	Con. Mat.	Price	Yld	Tray
ADM 10%	10/90	102.5	7.5	+42
ADM 15%	10/90	102.5	7.5	+42
ADM 20%	10/90	102.5	7.5	+42

ECU Straights

Issuer	Con. Mat.	Price	Yld	Tray
ADM 10%	10/90	102.5	7.5	+42
ADM 15%	10/90	102.5	7.5	+42
ADM 20%	10/90	102.5	7.5	+42

WestLB

Fixed Income and Equities Trading - for dealing prices call:

Düsseldorf: Westdeutsche Landesbank, Head Office, P.O. Box 1128, 4000 Düsseldorf 1
 International Bond Trading and Sales: Telephone (211) 828 3122/8 26 37 41
 Telex: 581881/B 581882

London: Westdeutsche Landesbank, 41, Moorgate, London EC2R 8AE/UK
 Telephone (1) 638 8141, Telex 887 984

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 Luxembourg, Telephone (352) 4 47 41-43, Telex 18 78

Hong Kong: Westdeutsche Landesbank, 8A Tower, 38th Floor, 12 Harbour Road
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(Continued on Page 17)

NASDAQ National Market

OTC Consolidated trading for week ended Friday, Feb. 6

Main table containing NASDAQ National Market data with columns for 100s, High, Low, Close, and Net Change. Includes sub-sections A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

Mutual Funds

Prices as of close of trading Friday, Feb. 6

NEW YORK (AP)—The following quotations are for the mutual funds listed below. Prices are for shares of \$10 each, unless otherwise noted.

Mutual Funds table listing various fund names, their share prices, and other financial details. Includes sub-sections A through Z.

(Continued on next page)

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Sales in Millions High Low Close Change

(Continued)

Table listing various stocks and their trading data, including columns for sales, high, low, close, and change.

Table listing various stocks and their trading data, including columns for sales, high, low, close, and change.

U.S. Banks Hopeful on Securities Trading

WASHINGTON — U.S. banks are moving closer to winning securities investment powers through possible regulatory and legislative action this year, according to banking analysts.

CUBA: Fighting 'Capitalist Vice'

(Continued from first finance page) must cultivate man's sense of honor, dignity and his best qualities.

International Bond Prices

Table showing international bond prices with columns for issuer, coupon, maturity, and price.

Wall Street Review

Table with sections for AMEX Most Actives, NYSE Most Actives, AMEX Diaries, and NYSE Diaries.

In the early 1970s, Mr. Castro shifted to a more orthodox, Soviet-style approach of goals and objectives after failing in 1970 to achieve a much-publicized goal of harvesting 10 million tons of sugar.

Worldwide Entertainment advertisement for Lido cabaret, featuring a woman in a feathered costume.

International Classified advertisement listing various escort and guide services across different cities.

Euromarts At a Glance advertisement providing a comprehensive overview of various market data and trends.

SPORTS

SPORTS BRIEFS

All-Stars Bid Farewell to the Good Doctor

World 100-Yard Dash, Shot Marks Broken

SENFTENBERG, East Germany, Feb 8 (AP) — Heike Drechsler broke her world indoor record for the 100-yard dash Sunday, while in Macolin, Switzerland, Werner Günthor set an indoor record for the shot put.

Breland Breaks Hand but Wins WBA Title

ATLANTIC CITY, New Jersey (AP) — Mark Breland won the World Boxing Association welterweight title Friday night, knocking out Harold Volbrecht of South Africa with a right to the jaw in the seventh round despite, in the first round, breaking a metacarpal bone in his left hand for the third time since September.

Stadler Golf Leader

HONOLULU (AP) — Craig Stadler matched the course record with a 10-under-par 62 Saturday to take a one-stroke lead over Paul Azinger after three rounds of the Hawaiian Open Golf Tournament.

By Roy S. Johnson
New York Times Service
SEATTLE — Something unusual, if not surprising, was likely to have occurred Sunday in the National Basketball Association's all-star game, the annual exhibition of pro basketball's ultimate craftsmen.

you-can-do-I-can-do-better maneuvers, some members of the Eastern Conference team were likely to have begun passing the ball with unexpected frequency, forsaking even wide-open shots.

Dominique Wilkins or Maurice Cheeks or Charles Barkley or even Larry Bird sacrificed a basket, it would be for Julius Erving.

Erving, the master showman and consummate professional, was to be playing in his 11th and final NBA all-star game (in which he has averaged 19.9 points). He will turn 37 at the end of this month, and he will retire at the end of this, his 16th professional season.



Julius Erving: Good moves, on and off the court.

But the passes would not be to just any teammate. Each time Isiah Thomas or Michael Jordan or

into the back-door at the stadium and see my idol. Besides what he's done for the game, he's done a hundred times more through just his presence. The way he carries himself. The way he approaches his night in and night out.

"I know if I get the opportunity, I will," said Thomas, who, like Erving, is a two-time most valuable player of the event.

"I'd like to get him the ball whenever I can," said Jordan, who would be playing in his second all-star game. "It's the best way I know to salute a true legend."

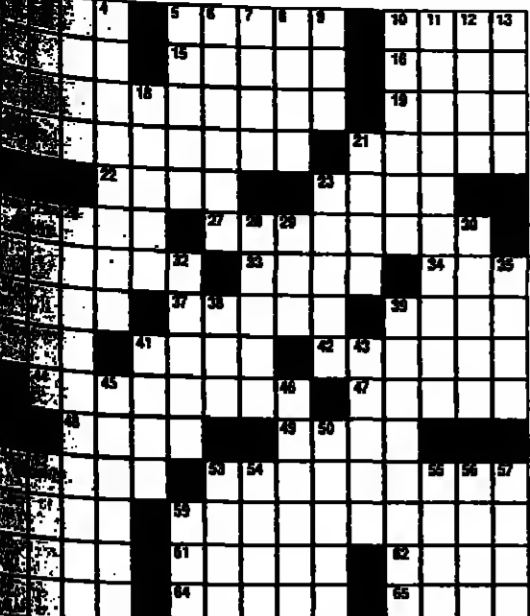
As the best players in the Eastern and Western Conferences prepared for the game with informal practices here at the Coliseum, much of the discussion focused on what Erving has meant to them.

"He showed us how to do things in a class way," said Ervin Johnson. "We know we can't imitate his game, but we can imitate him off the court, just being a nice person. I'm just happy for the chance to get to know him as a person."

"It's not so easy for people to come up and ask you for an autograph because some players turn them down harder for people to come up to him, but he greets everyone with a smile. It's little things like that that make him so special."

Tom Chambers, the Seattle forward who would be making his first all-star appearance, as a substitute for the injured Ralph Sampson, developed an ideal image of Erving that he feared would be shattered when he first met him as a rookie five seasons ago.

"Sometimes when he's out on the court, he's so big it looks like the game gets lost in him," Aguirre said. "When he steps on the floor it's still a game, but it's more. He's history."



- ACROSS
1. Peak ars
2. Were talented
3. Bobzevik's
4. Police
5. Marshall Wyatt
6. State
7. covering
8. Lab burner
9. Large dogs
10. Black, to Blake
11. Lithoid
12. Tuckered out
13. Chemical
14. Sendings
15. Pitcher
16. French secular
17. Clergymen
18. Like a
19. Spellbinder
20. Cock
21. Cockpilot,
22. From
23. Reverence
24. Plus fear
25. Down Under
26. beasts
27. Latin dance
28. Tomit
29. From
30. Blend
31. Like some
32. questions
33. Counselors
34. Orgs. of sorts
35. Handle
36. Quasi
37. Intact
38. Far from
39. recalcitrant
40. Tow
41. Small, high-spirited dog
42. "Comus"
43. composer
44. Lazed
45. Best or Ferber
46. Neat
47. Orchestra
48. section
49. Actual
50. DOWN
51. Col's
52. commands
53. Rodgers lyricist
54. Mountain:
55. Comb. form
56. Silky-coated
57. dog
58. Confound
59. Cook in a
60. rightly closed
61. pot
62. Lean and long
63. Fencing sword
64. Thing, to
65. Darrow
66. Home of a
67. brave
68. Shaft on a car
69. Dwell
70. River of
71. Siberia
72. Of an epoch
73. High-strung
74. Evergreen
75. What Spitz has done well
76. Peer
77. Sir in "East of Eden"
78. Flora and fauna
79. Tracking dog
80. Debusay opus
81. Sphere: globe
82. Whistle sound
83. Verb on a penny
84. What skimpers hope to make meet
85. Employ
86. Traveler on
87. stank's mare
88. Drum's
89. partner
90. Willow
91. Follow
92. Like some
93. peanuts
94. What malamutes pull
95. Price
96. "Clory"
97. Mata
98. Style
99. Shaft on a car
100. Dwell
101. River of
102. Siberia
103. Of an epoch
104. Evergreen

Solution to Friday's Puzzle



© New York Times, edited by Eugene Malachuk.

DENNIS THE MENACE



'SURE HE'S A NORMAL BOY, AND I'M ROBERT REDFOOT.'

JUMBLE

Jumble word puzzle section with words like LYMAN, REESA, HOYBIS, WEENST and a grid for the answer.

Friday's Jumble: ABYSS WALTZ CORRAL NAUGHT
Answer: The girls wouldn't trust that cowboy because they're trying to do this — THROW THE BULL.

WEATHER

Weather forecast table with columns for EUROPE, ASIA, AFRICA, LATIN AMERICA, NORTH AMERICA, MIDDLE EAST, OCEANIA and rows for various cities.

PEANUTS



BLONDIE



BEEBLE BAILEY



ANDY CAPP



WIZARD of ID



REX MORGAN



GARFIELD



WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam
Prices on the Amsterdam stock exchange edged up at the end of the week after losing ground earlier while the dollar was still falling.

Frankfurt
The Frankfurt stock exchange staged a modest recovery near the end of a week of generally sluggish trading in which the Commerzbank index fell 68 points to 1,739.6.

Hong Kong
Bulls went on a post-Lunar New Year buying spree on the Hong Kong stock exchange this week, boosting indexes to new record highs.

London
The surge in share prices continued last week on the London Stock Exchange with all the main indices hitting new peaks.

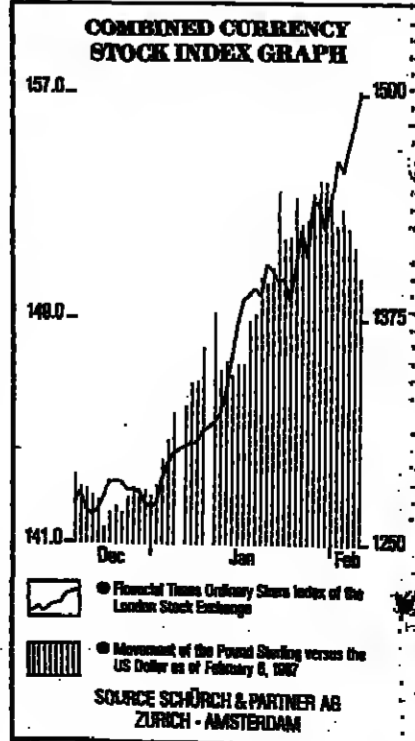
Milan
Milan stocks were in the doldrums again last week, and the Corin index closed at 705.11, down 0.4 percent from the previous week.

Paris
Trading was nervous last week on the Paris Bourse in reaction to anxiety over the course of the dollar.

Singapore
In the first trading week of the Lunar New Year, the Straits Times Industrial Index gained an impressive 16.96 points to finish at 965.98 and appeared poised to break the 1,000 mark soon.

Tokyo
Prices on the Tokyo stock market fell for three straight sessions at the end of last week, despite a bullish start on Monday, as individual investors sold stocks to produce funds for shares in Nippon Telegraph and Telephone Corp., which is to be listed next Monday.

Zurich
The Zurich stock exchange saw heavy selling last week, notably by British and American investors reacting to a weakening dollar.



سكزانت الاصل

SPORTS

Hess Takes Sixth World Title; Wörndl, in Upset, Wins Slalom

Completed by Our Staff From Dispatches... CRANS-MONTANA, Switzerland — Frank Wörndl of West Germany...

first men's slalom gold in a world championship. He and Marc Girardelli of Luxembourg...

"Until today," he said, "the joy of skiing was always bigger for me than the fact that I wasn't winning any races."



Frank Wörndl: "Overjoyed."



Erika Hess, Switzerland's third double gold medalist of 1987.

The Nationale course, with its 55 tight, twisty gates, dropped 574 feet (92.3 meters), just 16 feet less than the permitted maximum.

first run in 46.69. She missed a gate, skied to the barrier at the side of the trail, sat down and put her head in her hands.

France Rallies to Down Wales, 16-9; Ireland Opens by Blanking England

By Bob Donahue International Herald Tribune PARIS — France took 78 minutes to get ahead of Wales in a 90-minute rugby match last Saturday...

match. There were more than a dozen of them, compared to only one for France.

back Serge Blanco booted high and then zipped in on Thorburn, who bravely received the ball and all 85 kilograms (187 pounds) of Blanco at the same time.

FIVE NATIONS RUGBY

called for a change in the rules to require play to continue while minor injuries are treated on the sidelines.

Wales countered the French in the scrums with an outstanding display by tighthead prop Stuart Evans and clever spoiling by the back row when the scrum came wheeled. Evans was also effective in the mauls.

Without great defense — in particular by flanker Picketing and new right wing Webb, the first black ever to play for Wales — the French would have scored two or three more tries.

SCOREBOARD

Basketball

U.S. College Results

Table with columns for Friday, Saturday, and Sunday results, listing various college basketball games and scores.

Hockey

National Hockey League Standings

Table showing NHL standings for the Wales Conference, Patrick Division, and Adams Division, including team names and records.

European Soccer

ENGLISH FIRST DIVISION

Table showing English First Division results, including teams like Arsenal, Liverpool, and Manchester United.

Pitt Beats Providence, Keeps Lead

United Press International

PROVIDENCE, Rhode Island — Charles Smith scored 25 points and Jerome Lane added 20 here Saturday night to spark No. 16 Pittsburgh to an 87-81 victory over Providence that kept the Panthers atop the Big East.



French forwards on the move toward flyhalf Jonathan Davies — from left, in white, Jean Condom (traced) by Robert Jones, Daniel Dubroca and Laurent Rodriguez — as Paul Moriarty arrives.

VANTAGE POINT/Angus Phillips

No More Masts on the Skyline

Washington Post Service FREMANTLE, Australia — A daily ritual here for devoted followers of the America's Cup was to wander about town counting masts.

Politics and deception have always been a part of cup racing, but no one ever deceived the opposition as effectively as Conner.

By November, that was exactly where he stood, before minor ballast changes left Stars & Stripes helpless in breezes below 12 knots.

Skiing

World Championships

Table showing results of the 1987 World Championships in various skiing disciplines.

Baseball

CINCINNATI — Stated Tom Ehrhardt, catcher, is a one-year contract.

FOOTBALL

ATLANTA — Headed Jimmy Rowe wide receiver coach and Steve Crosby running back coach.

Figure Skating

EUROPEAN CHAMPIONSHIPS

Table showing results of the European Figure Skating Championships.

Tennis

U.S. Pro Indoor

Table showing results of the U.S. Pro Indoor tennis tournament.

Women's Final Standings

Table showing final standings for women's events in various sports.

Quaterfinals

Table showing quarterfinal results for various sports.

U.S. Pro Indoor

Table showing quarterfinal results for U.S. Pro Indoor tennis.

U.S. Pro Indoor

Table showing quarterfinal results for U.S. Pro Indoor tennis.

U.S. Pro Indoor

Table showing quarterfinal results for U.S. Pro Indoor tennis.

U.S. Pro Indoor

Table showing quarterfinal results for U.S. Pro Indoor tennis.

U.S. Pro Indoor

Table showing quarterfinal results for U.S. Pro Indoor tennis.

U.S. Pro Indoor

Table showing quarterfinal results for U.S. Pro Indoor tennis.

LANGUAGE

Ungilding the Lily

By William Safire
WASHINGTON — Reading Richard Kluger's history of the New York Herald Tribune, "The Paper," called to mind Beach Conger, the Trib editor who read my copy in the late 1940s. I wrote of somebody gilding the lily, pointing to the line in Shakespeare's "King John": "To gild refined gold, to paint the lily."

Mitchell Parish: A Lyricist's 'Stardust' Memories

By Stephen Holden
New York Times Service

NEW YORK — Fifty-eight years ago, when Mitchell Parish was handed Hoagy Carmichael's melody for "Stardust," he had no idea that his collaboration would result in a song that is still widely regarded as the quintessential American pop standard.



The cast of "Stardust" (above), a revue that pays homage to the lyricist Mitchell Parish (right).

Parish's first steady employer was the publisher Jack Mills, who signed him to his company, Mills Music, for \$12 a week to write comedy lyrics with punch lines by day and to be a song plunger by night.

Parish's first hit, "Carolina Rolling Stone," was recorded by the vaudeville musical comedy team of Van & Schenck

Parish is somewhat useful, though no longer bitter, over the fact that although he wrote the lyrics for Duke Ellington's "Mood Indigo," which was published in 1931, Irving Mills (Jack Mills' brother and publishing partner) took credit.

JOBS... JOBS... AVAILABLE
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FRENCH PROVINCES
CORSE D'AZUR
INTERMEDIA
MONTE CARLO
PARIS & SUBURBS

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MOVING
REAL ESTATE FOR SALE
MONTE CARLO
INTERMEDIA
MONTE CARLO
PARIS & SUBURBS

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GREAT BRITAIN
PARIS AREA FURNISHED
AVE FOCH
CHAMP DE MARS
PARIS BEST AREAS
EMPLOYMENT
AUTOMOBILES
AUTO RENTALS
AUTOS TAX FREE

TRANSKO
BOATS & RECREATIONAL VEHICLES
HEALTH SERVICES
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